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SECURITY PROGRAMS

U.S. DEPARTMENT OF DEFENSE (DoD) - COOPERATIVE THREAT REDUCTION (CTR) PROGRAM

DoD's Cooperative Threat Reduction (CTR), or "Nunn-Lugar," program was initiated in FY 1992 to reduce the threat posed to the United States by the weapons of mass destruction (WMD) remaining on the territory of the former Soviet Union. Under the CTR program, DoD provides assistance to states certified as eligible to receive such assistance—in FY 1998, Russia, Ukraine, Kazakhstan, Georgia, Uzbekistan and Moldova were certified—to promote denuclearization and demilitarization, and to prevent weapons proliferation. Through the CTR program, the U.S. Government helped Belarus, Kazakhstan and Ukraine become nuclear-weapons-free states, and has been helping these countries fulfill other arms control commitments, as well as accelerating START reductions in Russia. CTR projects support the safe, secure transport of nuclear weapons prior to their destruction, and the safeguarding and storage of nuclear materials. CTR efforts also seek to help Russia initiate and accelerate the destruction of chemical weapons. Pursuant to legislative requirements, the CTR program provides separate, detailed semi-annual reports to the U.S. Congress.

U.S. Government CTR assistance has supported or encouraged the following major developments over the life of the CTR Program:

- the decisions by Belarus, Ukraine and Kazakhstan to become non-nuclear-weapons states and the implementation of those decisions;
- the withdrawal of over 3,300 strategic warheads from Ukraine, Kazakhstan and Belarus to Russia for eventual dismantlement;
- the early deactivation of all SS-24 ICBMs and elimination of 144 SS-19 missile and launch-control silos and 106 SS-19 ICBMs in Ukraine;
- the purchase and transfer to secure storage of nearly 600 kilograms of weapons-usable uranium from Kazakhstan and additional fissile material from Georgia;
- the purchase of 21 nuclear-capable MiG-29 airplanes, 500 air-to-air missiles, and associated equipment from Moldova;
- the removal of 104 SS-18 ICBMs from their launchers in Kazakhstan and their return to Russia;
- the elimination of 147 SS-18 silo launchers in Kazakhstan;
- the safe and secure withdrawal of all 81 of Belarus's SS-25 mobile ICBMs and launchers to Russia;
- using CTR-provided equipment, the elimination in Russia of 136 SLBM launchers, 50 ICBM silos, 40 strategic bombers, and over 247 ICBMs;
- the completion of START Treaty government-to-government communication links;
- support for nearly 15,000 former Soviet weapons scientists and engineers by the International Science and Technology Center (ISTC) in Moscow and the Science and Technology Center in Ukraine (STCU) in peaceful research projects (in FY 1996, funding for these activities was shifted to the Department of State);
- establishment of the Civilian Research and Development Foundation (CRDF), which awarded its first grants in 1996 to help civilian scientists and engineers pursue peaceful research opportunities and help preserve the scientific infrastructure of the NIS countries (in FY 1997, funding for these activities was shifted to the Department of State);
- the enhancement of NIS export control capabilities (in FY 1996, funding for these activities was shifted to the Department of State); and

- enhanced nuclear material protection, control and accounting (MPC&A) capabilities initiated at over 40 nuclear institutes and facilities in the NIS (in FY 1995, funding responsibility for these activities was transferred to the Department of Energy).

Weapons Destruction and Dismantlement: Under this largest single category of CTR assistance, the U.S. Government is helping destroy delivery vehicles for strategic nuclear weapons and key weapons-system components. CTR assistance also is being used to assist in the elimination of chemical weapons. Key projects include the following:

- **Strategic Offensive Arms Elimination (SOAE):** The U.S. Government is providing Russia equipment, training, services and logistic support to assist in expediting the elimination of strategic offensive arms pursuant to the START Treaties. This includes assistance with liquid rocket fuel disposition, SLBM launcher and associated submarine elimination, solid rocket motor elimination, SS-18 and heavy bomber dismantlement, and other projects. This also includes provision of equipment for emergency support in case of an accident involving the transport or elimination of missiles. In Ukraine, the U.S. Government is providing assistance to deactivate SS-19 and SS-24 missiles, dismantle their silos, and neutralize the fuel from those missiles. DoD is also assisting in the dismantlement of 44 START-accountable heavy bombers. In Kazakhstan, the U.S. Government is providing support to eliminate SS-18 launch and launch-control silos and to close nuclear weapons test tunnels at the Degelen Mountain complex.
- **Chemical Weapons Destruction:** The U.S. Government is helping Russia destroy its chemical weapons (CW) stockpile and associated infrastructure. Efforts have focused on design of a CW destruction facility at Shchuchye that the U.S. Government will help construct. Construction has already begun on a Central Analytical Laboratory (CAL) that will enhance Russia's ability to conduct chemical-agent monitoring at CW storage and destruction sites. The U.S. Government has procured and delivered three mobile analytical laboratories to support Russian CW destruction projects. U.S. Government-funded efforts also continue to eliminate CW infrastructure at the KhimProm Volgograd and Novcheboksarsk chemical complexes.

Chain of Custody: CTR "Chain of Custody" projects help prevent the proliferation of nuclear materials, increase the security of nuclear warheads while in transit or in storage, and ensure that fissile materials from dismantled warheads are stored in safe, centralized and environmentally sound locations. Key projects include the following:

- **Fissile Material Storage Facility at Mayak:** Construction continues on a facility for the storage of fissile material derived from dismantled Russian weapons at Mayak. DoD is providing design assistance, construction support and equipment, and facility equipment. Exterior walls on main buildings and the construction of interior structures and the roof have almost been completed. The U.S. Government is also providing the Russian Ministry of Atomic Energy with containers for the transport and storage of fissile materials from dismantled weapons. Production of the containers began in October 1995, and initial shipments to Russia began in December 1995. Through FY 1998, more than 32,000 fissile material containers have been produced.
- **Weapons Protection Control and Accounting (WPC&A):** This CTR project focuses on improving the security of nuclear weapons during transportation and interim storage. The project was formally established in April 1995 under two CTR implementing agreements with Russia. Assistance provided under this projects includes supercontainers, railcar upgrades, emergency support equipment, automated inventory control and management systems, computer modeling, a personnel reliability program, 50 sets of "quick-fix" fencing and sensors for storage sites, and the development of a Security Assessment and Training Center to test and evaluate new security systems for storage sites.
- **Material Protection, Control and Accountability (MPC&A) Projects:** MPC&A efforts enhance the security of fissile materials at NIS facilities and institutes, and improve capabilities to prevent, detect and deter theft, diversion, or other unauthorized use of nuclear materials. CTR provided \$78.5 million for MPC&A activities from FY 1992 to FY 1995. The U.S. Department of Energy began managing and funding MPC&A programs in FY 1996. (see DOE-MPC&A section below.)

- **Enhancing Export Controls:** Through FY 1995, approximately \$39 million for export control assistance to the NIS was funded under the CTR program. This assistance was provided to Belarus, Kazakhstan, Russia, and Ukraine to help establish effective and sustainable national export control systems. In FY 1996, funding responsibility for NIS export control assistance shifted to the U.S. Department of State. This assistance has consisted of exchanges for government and industry representatives to acquaint them with the need for effective export controls; training for border guards and customs agents to enhance their proficiency; and equipment to support effective export control enforcement. (see State-NDF-Export Control section below)

Demilitarization: The third major area of CTR assistance involves efforts to facilitate the demilitarization and transition of the NIS countries to democratic institutions and market economies. These non-proliferation efforts provide alternative peaceful, civilian uses for former Soviet WMD-related production resources and alternative employment opportunities for former Soviet weapons scientists and engineers. Several projects have been established to provide demilitarization assistance.

- **Defense Conversion:** The U.S. Congress prohibited the obligation of CTR funds for defense conversion activities after FY 1996. As a result, no new defense conversion efforts were initiated under CTR in FY 1998; however, ongoing projects continued to assist in the transformation of the former Soviet defense complex into peaceful and productive civilian commercial entities. DoD previously awarded 17 contracts to 13 U.S. companies to work with former Soviet WMD facilities to convert portions of their production capability into non-military commercial ventures. Some examples of the resulting products include integrated circuit boards, air traffic control hardware and software, laser pointers, hearing aids, and dental equipment.
- **Defense Enterprise Fund (DEF):** In FY 1995, CTR shifted the focus of defense conversion efforts from direct creation of joint ventures to DEF projects. The DEF provides loans and grants and makes equity investments in joint defense conversion projects involving U.S. companies and former Soviet enterprises formerly involved in WMD production. Such activities support the elimination of weapons production capability while promoting market economies and democratic political systems. The Fund has converted more than 57,000 square meters of military plant facilities to peaceful activities and helped provide alternative employment for more than 3,700 former weapons scientists. In FY 1997, funding responsibility for the DEF was transferred to the Department of State under the FREEDOM Support Act (see also Enterprise Funds section above).
- **Science Centers:** The International Science and Technology Center (ISTC) in Moscow and the Science and Technology Center in Ukraine (STCU) were established to provide former Soviet weapons scientists opportunities to work on peaceful civilian research activities so they would not be tempted to sell their expertise to countries of proliferation concern. The Science Centers are multilateral efforts involving the , United States, European Union, Japan and other donors. Through FY 1995, the U.S. Government contributed \$49 million to the ISTC and \$15 million to the STCU under the CTR Program. Beginning in FY 1996, direct program funding responsibility shifted to the Department of State under the FREEDOM Support Act. (see Department of State - Science Centers section below)
- **U.S. Civilian Research and Development Foundation (CRDF):** The CRDF was established in August 1995 by the National Science Foundation (NSF) with an initial CTR grant of \$5 million matched by a \$5 million grant from George Soros. The CRDF is a non-governmental, non-profit foundation that has also received funding from the State Department, NSF and the National Institutes of Health (NIH). Its goals are to help sustain highly competent scientists and engineers in the NIS, including those from the former Soviet defense sector, and support the development of a market economy in the NIS. The CRDF funds project-related grants for NIS scientists, collaborative projects with commercial potential, travel grants for first-time visits to the United States by NIS researchers seeking U.S. partners, and new equipment for selected NIS facilities to enhance their experimental capabilities. (see also CRDF section below)
- **Collaborative Biotechnical Programs:** DoD initiated a program to fund collaborative biotechnical research with former biological weapons scientists to increase access to Russian scientists, to enhance the transparency of their work, and to address pressing public health needs in the area of infectious diseases. CTR also is seeking to enhance the security of Russian biotechnical facilities.

- **Defense and Military Contacts:** In FY 1998, the CTR Program funded over 240 defense and military contact events in the NIS, including military exercises, high-level exchanges, unit exchanges, ship visits and exchanges of delegations on defense and military topics.

CTR COUNTRY HIGHLIGHTS

(for detailed information on the International Science and Technology Center (ISTC), Export Control, and Material Protection, Control and Accounting (MPC&A) projects, see the State Department and Energy Department sections below)

BELARUS

PROJECT NAME	NOTIFIED	OBLIGATED
1. Strategic Offensive Arms Elimination*	\$10,678,000	\$2,834,227
2. Emergency Response Training/Equipment	\$5,000,000	\$4,982,934
3. Industrial Partnerships	\$19,270,000	\$19,246,385
4. Defense Enterprise Fund	\$5,000,000	\$5,000,000
5. Defense and Military Contacts	\$1,200,000	\$462,933
6. Material Control and Accounting	\$2,700,000	\$2,649,683
7. Science and Technology Center	\$1,034,460	\$1,034,460
8. Export Control	\$12,583,000	\$12,480,808
9. Continuous Communications Link	\$1,036,000	\$1,114,700
10. Environmental Restoration	\$25,000,000	\$24,919,598
TOTAL:	\$83,501,460	\$74,725,728

*Only \$28.9 million in SOAE agreement

as of 11/23/98

Overview

The United States and Belarus have signed a government-to-government umbrella agreement on CTR assistance, eight agency-to-agency CTR implementing agreements, and one memorandum of understanding and cooperation. The umbrella agreement, which was extended for one year in October 1997, has expired. DoD has notified to the U.S. Congress more than \$83 million in CTR assistance to Belarus, of which over \$74 million has been obligated through FY 1998 and over \$71 million disbursed. DoD does not intend to request additional funds for Belarus, as the President did not certify Belarus as eligible to receive CTR and other assistance for FY 1997 or FY 1998 and therefore funds that were not obligated prior to March 4, 1997, cannot be spent.

Projects

Strategic Offensive Arms Elimination (SOAE): SOAE programs seek to facilitate the expeditious, safe and environmentally sound elimination of WMD delivery systems. Of the \$16 million initially agreed upon, up to \$8 million is designated for elimination of fixed structures associated with the SS-25 mobile ICBMs and for the disposition of approximately 10,000 metric tons of liquid fuel and oxidizer. Following technical discussions on liquid propellant disposition, an incinerator was delivered in April 1996. Test burns were scheduled to begin once the Government of Belarus gave permission to proceed, the site was selected, and support materials were in place. The test burns would enable environmental certification for propellant incineration as the means to destroy 180 metric tons of heptyl. However, no further funds are available to continue this project due to the non-certification of Belarus under CTR in 1997, and this project has stopped.

In consultation with the Belarusian Ministry of Defense, DoD awarded a fixed-fee contract in March 1996 to Controlled Demolition Inc. (CDI) to dismantle 81 SS-25 fixed structure/launch pads over a 25-month period. The \$1.95 million contract was based in part on the contractor receiving site access by August 1996. The work was scheduled to be completed by April 1998. In August 1996, CDI had its construction equipment delivered to Belarus and made preparations for a prototype demonstration of its mechanical demolition process at Slutsk.

However, the Belarusian Government did not authorize site access. Repeated diplomatic efforts to get site access were unsuccessful. As a result, CDI removed its equipment from Belarus and the contract was terminated. No further work will be done on this project. A one-year extension to the SOAE Agreement was signed in October 1997, but was not renewed in October 1998.

Continuous Communications Link (CCL): The objective of CCL assistance was to provide Belarus with its own capability to fulfill its reporting requirements under the INF and START Treaties; which it had previously been doing through Russia. Initial operational capability of the first of two planned circuits was established at the end of August 1993. Final operational cut-over with a modernized system equipment configuration was achieved in mid-October 1995. As for the second circuit, DoD and Belarus had developed a proposed arrangement under which DoD would provide in March 1997 a single-channel ground station to the Belarusian Government, which would then modify the station to multi-channel use and would lease the extra non-CCL channels. Proceeds from the leasing would be applied to the operation of the CCL, including the lease of the second satellite circuit. However, due to the non-certification of Belarus in March 1997, no funds are available for this project.

Emergency Response Equipment and Training: The objective of this assistance is to provide equipment and training to respond to an accident or incident involving a nuclear weapon or fissile material. Equipment, training, and technical manuals have been provided. Subsequent to an audit and examination (A&E) finding that the equipment was unused, the Belarusian Government was provided with guidance to clarify use of the equipment. With the removal of the last nuclear warhead from Belarus, DoD is now considering a proposal to allow Belarus to use the equipment for training and response to incidents involving non-nuclear weapons materials. Procurement actions for this program were completed in FY 1996, and deliveries and installation of a computer network upgrade and connectivity were completed in April 1997.

Export Control: The objective of CTR export control programs is to assist in the building of export control institutions, infrastructure and legislation. Assistance provided to Belarus includes the installation of a local area network (LAN) and a wide-area network (WAN) for Belarus's licensing administration, establishment of an automation training center, pursuit vehicles, communication equipment, and interdiction equipment. Delivery of a cargo x-ray machine, baggage x-ray machines, and radiation detection equipment was completed by August 1996. In December 1996, six pedestrian portal monitors arrived at Los Alamos National Laboratory for testing and calibration. Testing was completed and the portal monitors were awaiting U.S. Government licensing for shipment. The equipment was delivered through January 1998, including vehicle portal monitors; automated computer connectivity between the main Customs Ministry, the Ministry of Foreign Economic Relations (MFER), regional Customs offices, and border checkpoints; additional portal monitors; and replacement forklifts. Hand-held radiation detectors and MFER software were delivered in March 1997. An opening ceremony took place in October 1998 at the Customs Ministry, and DoD planned to extend the implementing agreement until October 22, 1998, to cover the remainder of the project undertaken by the Department of Commerce with CTR funds.

Material Control & Accounting (MC&A), and Physical Protection (PP): The objective of this assistance is to create a national system to facilitate the control, accounting, and physical protection of nuclear material used for peaceful purposes. This program is administered by the U.S. Department of Energy (DOE) and since 1996, all additional funding has come from DOE. All MPC&A work at the Institute of Nuclear Power Engineering at Sosny was completed in September 1996. This included MC&A, PP, and non-destructive assay (NDA) training courses at the Sandia and Los Alamos National Laboratories. All MC&A upgrades for Building 33, including those at the fresh fuel storage vault, were completed by August 1996.

Defense Conversion: The objective of defense conversion assistance is to convert former military enterprises to the production of civilian goods, assist in construction of housing to enable demobilization of Strategic Rocket Forces (SRF) officers, and establish retraining centers for qualifying demobilized SRF officers. The completed Belarus Defense Conversion Program was the earliest such CTR effort. Joint ventures and cost-sharing facilitated several joint venture projects (including contracts with Federal Systems Group (FSG) of Virginia; Byelocorp Scientific, Incorporated of New York; and KRAS Corporation of Pennsylvania) that helped support work carried out with local firms. Two of these three partnerships have not succeeded commercially and are now dormant. The third partnership, between FSG and Minsk Computer, had produced and sold battery rechargers, but the partnership did not develop further and is being terminated.

- At the request of the Belarusian Government, CTR assistance was provided (from funds available prior to FY 1997) for the construction of housing for demobilized SRF officers who, under Belarusian law, must be provided with housing upon their retirement. Construction was carried out through a Corps of Engineers-managed project awarded to ABB SUSA. While no joint venture is required by the contract, a Belarusian construction firm was hired as a subcontractor.
- Equipment for a computer training center, automotive repair training center, English language-teaching laboratory, and woodworking retraining center was delivered during the 1993-95 period. During an audit and examination (A&E) of the retraining center program, DoD discovered that civilian dependents of SRF officers were receiving training at those centers for a fee. DoD officials stressed to their Belarusian counterparts that the retraining center was for the explicit use of demobilized SRF officers. The delivery of additional training assistance was postponed, pending further evaluation of training needs. Any future training assistance would be carefully targeted and sized to reduce any excess capacity, which had been taken advantage of by the families of the SRF officers. The U.S. Congress has prohibited the use of any additional available prior-year CTR funds for job-retraining assistance.

Defense Enterprise Fund (DEF): Up to \$5 million of the funds provided for the DEF have been allocated for equity investments, grants, and loans in joint ventures with Belarusian WMD enterprises. Because of difficulties with Belarusian privatization laws and DEF conditions, the DEF has not reached agreement on any projects in Belarus.

International Science and Technology Center (ISTC): The ISTC provides alternative employment opportunities for former WMD scientists and engineers so they can pursue peaceful research. The U.S. Government has obligated \$5 million for ISTC projects in Belarus. The first U.S. project award (\$488,000) was made in December 1995. In FY 1996, funding responsibility was transferred to the Department of State under the FREEDOM Support Act (see Science Centers section below).

Environmental Restoration: The objective of this assistance is to provide Belarus with the capability to conduct the environmental restoration of former Strategic Rocket Forces (SRF) bases. This project consists of three elements: (1) the establishment of an analytical chemistry laboratory, which was completed in April 1995; (2) the provision of remote sensors and geographic information system (GIS) equipment and the establishment of GIS and photographic processing laboratories, which were dedicated in March and April 1996, respectively; and (3) the modification of a Belarusian AN-26 aircraft, in Kiev, to accommodate remote sensors and the provision of technical assistance and training. The AN-26 plane was dedicated in July 1996, and additional installation and follow-on training continued through July 1997. Additional equipment for the chemistry lab was delivered in March 1996 with follow-on training in July 1997.

- A contract was awarded in April 1995 to Arthur D. Little, Inc. (ADL) to complete site assessments at Postavy and Ruzhany, provide field technical training in conducting site assessments, prepare site remediation plans, train Belarusian officials in the organization and management of environmental remediation projects, and co-sponsor an annual environmental conference. Site assessments at both Postavy and Ruzhany revealed similar contamination from semi-volatile organic materials and heavy metals. The Belarusian Government requested a change in focus from academic and governmental training to demonstration and training in the technologies recommended for remediation. Procurement actions were initiated to redirect ADL's efforts for Postavy, where the first site assessment is to be completed. These technologies will also have application to Ruzhany. An extension to the Environmental Restoration Agreement was signed, effective July 22, 1997.

Audits and Examinations (A&E's): Four A&E's were conducted in Belarus in 1995. DoD's Belarusian counterparts were helpful, and the A&E's proved very useful. Two A&E's (of export control and industrial partnership programs) were conducted in 1996. Three A&E's were conducted in 1997 of SOAE liquid-fuel incineration, environmental restoration, and emergency response equipment and training; no problems were found. No A&E's were conducted in FY 1998. A&E's will be conducted concurrently in January and February 1999.

Other Donors: The United States is not alone in providing dismantlement-related assistance to Belarus. Germany's ongoing and planned projects include export controls, officer resettlement/retraining, and housing. Germany recently concluded a framework agreement with Belarus; and although no specific programs have been identified, Germany is considering a project to help the Belarusian Government eliminate oxidizers associated with

liquid-fueled ICBMs. The United Kingdom has its own program of defense and military contacts with Belarus. The European Union provided \$60,000 for an ISTC project in June 1996, and Japan provided \$169,000 in ISTC funds for a project in September 1994. NATO allies regularly brief each other on the progress of their projects in Belarus through the Senior Politico-Military Group on Proliferation (SGP) and bilateral discussions. These issues have also been discussed in G-7 fora. The U.S. Government works with all of its allies to ensure that security programs in Belarus are complementary and cooperative.

KAZAKHSTAN

PROJECT NAME	NOTIFIED	OBLIGATED
1. Strategic Offensive Arms Elimination	\$76,200,000	\$61,995,506
2. WMD Infrastructure Elimination	\$25,500,000	\$23,031,827
3. Emergency Response Training/Equipment	\$5,000,000	\$4,895,304
4. Industrial Partnerships	\$15,000,000	\$14,985,514
5. Defense Enterprise Fund	\$7,000,000	\$7,000,000
6. Defense and Military Contacts	\$2,300,000	\$1,352,519
7. Material Control and Accounting	\$23,000,000	\$22,553,265
8. Science and Technology Center - Kazakhstan	\$9,000,000	\$9,000,000
9. Export Control	\$7,260,000	\$7,153,542
10. Government-to-Government Communications Link	\$2,600,000	\$2,214,770
TOTAL:	\$172,860,000	\$154,182,247

as of 11/23/98

Overview

The United States and Kazakhstan have signed a government-to-government umbrella agreement on CTR assistance, and eight agency-to-agency CTR implementing agreements, as well as a memorandum of understanding and cooperation. DoD has notified to the U.S. Congress over \$172 million in CTR assistance to Kazakhstan, over \$154 million of which has been obligated to date and over \$111 million of which has been disbursed. Overall, programs with Kazakhstan have gone smoothly, although DoD experienced occasional difficulties with taxation and licensing. In particular, Kazakhstan's Ministries of Defense (MoD) and Science (MSAS), and the Committee on the Defense Industry (CDI), have been good partners and eager to maintain close relations. DoD does not intend to request additional CTR funding in future years for Kazakhstan, although program implementation continues under FY 1997 and prior-year funds.

Projects

Strategic Offensive Arms Elimination (SOAE): The objective of this assistance is to facilitate START I implementation. The primary project under this agreement assisted Kazakhstan in the safe elimination and cleanup of all SS-18 silo launchers and launch-control centers, training silos, and silo test launchers, enabling Kazakhstan to fulfill its START I obligations. This project consisted of two phases. In Phase I, Russia was responsible for destroying the silo headworks; contracts valued at approximately \$1.2 million were awarded to two Kazakhstani companies to remove equipment deemed valuable to the Kazakhstani Government, prior to the destruction of the headworks by Russia. The second phase involved completing the elimination and re-grading of the destroyed silo sites, including recovery of metal within the site perimeters, under a contract awarded to the Brown and Root/ABB SUSA joint venture for \$31.5 million in November 1995. The last of the 147 silo sites was eliminated and regraded in October 1998. Kazakhstan has been seeking U.S. Government assistance to address environmental remediation outside the site perimeters, but since such assistance cannot be provided under CTR legislation, other sources of funding are being explored.

The SOAE agreement was amended in July 1995 to allow the U.S. Government to provide additional dismantlement assistance, such as elimination of infrastructure associated with strategic offensive arms, disposition of excess liquid rocket fuel, and elimination of heavy bombers. At a DoD-MoD/CDI technical meeting in

October 1995, requirements were defined for elimination of the seven Bear-G heavy bombers abandoned by the Soviet Union at the Chagan (Dolon) Aerodrome. DoD procured and delivered the agreed-upon elimination equipment to Kazakhstan in fall 1997, and the bombers were verified as eliminated in February 1998. DoD and MoD/CDI have also jointly defined requirements to dispose of the excess liquid rocket fuel left behind by Russia, to eliminate pipes and tanks for fuel at the missile bases, and to dismantle former nuclear weapons storage sites at missile bases and at the Chagan Aerodrome. The final tasks will be accomplished in two phases. Phase I, which involved assessment and preparation for dismantlement, has been completed. Phase II, actual dismantlement, was expected to start late in 1998 and be completed by 2000.

Government-to-Government Communications Link (GGCL): The objective of GGCL assistance is to provide Kazakhstan with its own capability to fulfill its reporting requirements under the INF and START Treaties, which it previously did through Russia. The single circuit link was installed in 1995, and a second multi-channel link is being installed. The Kazakhstani Government will use funds earned from leasing the extra channels to pay for the operations of the second GGCL channel. This is the final CTR GGCL project in Kazakhstan. The Department of State is negotiating a separate agreement formalizing the current operational relationship.

Emergency Response Equipment and Training: The objective of this assistance is to provide equipment and training to respond to an accident or incident involving a nuclear weapon or fissile material; however, with the removal of the last nuclear warhead from Kazakhstan, DoD has agreed to allow Kazakhstan to use the equipment for training and response to incidents involving non-weapons-related nuclear materials. Further, in response to a request by Kazakhstan's Ministry of Science in early October 1997, DoD offered to provide Kazakhstan with mobile labs and associated equipment which would form the core capability of a nuclear emergency response laboratory to assess possible counterproliferation dangers in the Semipalatinsk/Polygon area. In mid-November 1997, the Kazakhstani Government accepted this offer. General Motors subsequently shipped four vehicles to Lawrence Livermore Laboratories, where they are being configured, with an estimated delivery date of May-June 1999; training will be conducted in that timeframe at former test sites in the Semipalatinsk region. Deliveries of initial equipment (including chemical and fire-fighting protective clothing, air sampling monitors, radiation monitors, and personal dosimeters) under the original project have been completed. A computer local-area network (LAN) was procured and a DoD technical team traveled to Kazakhstan to install the LAN and provide training in August 1997.

Export Control: The objective of this assistance is to help build export control institutions, infrastructure and legislation. CTR-provided computers, customs laboratory equipment, and patrol boats and vehicles now augment Kazakhstan's existing export control infrastructure. Delivery of and training on the customs laboratory equipment occurred in October 1995. In addition, six patrol boats were procured to assist with enforcement on the Caspian Sea—five Boston Whaler Vigilants and one SeaArk Dauntless. The 27-foot Boston Whalers were delivered in April 1996, and the 42-foot SeaArk patrol boat was delivered in August 1996. Boat training was completed in October 1996. A wide-area network (WAN) for export control licensing was installed in Almaty, linking the Ministry of Industry and Trade, a regional training center (BusinessInform), the Council of Ministers, and other referral agencies. A formal opening ceremony for the training center took place in April 1997. Portions of this export control project supported the overall assistance program for Project Sapphire (which involved the purchase and transfer to secure storage of weapons-usable uranium from Kazakhstan to the United States, as well as related assistance) and were completed by the end of FY 1997. Delivery of pursuit and other vehicles with radios and automation equipment was completed in summer 1997. Installation of radios on the pursuit vehicles was delayed due to Kazakhstani reluctance to provide DoD with the frequencies they wanted to be programmed. Eventually, several standard frequencies were programmed in the United States, in lieu of providing more costly programmable radios. The final shipment to Kazakhstan was made in late April 1997. A total of 21 jeeps, minivans and rangers were shipped and arrived in Almaty in mid-May 1997. The remaining four vehicles, 28-passenger buses, were delivered in August 1997. These four vehicles are the last of the equipment for Project Sapphire and the final pieces of hardware to be delivered under the Kazakhstani export control project.

Material Control & Accounting (MC&A) and Physical Protection (PP): The objective of this assistance is to strengthen Kazakhstan's existing MC&A and PP systems in a timely manner. DOE programs are under way at the Ulba State Holding Company Fuel Fabrication Plant, the Aktau BN-350 breeder reactor, the Almaty research reactor, and the IGR and Baikal reactor sites at Semipalatinsk in Kurchatov City. At the national level, the U.S. Nuclear Regulatory Commission (NRC) will assist in developing a Kazakhstani regulatory program as well as an

information and reporting system. Beginning in FY 1997, funding has been provided by DOE. At the facility level, DOE has established an MC&A and PP program at the Ulba Fuel Fabrication facility that can be a model for other Kazakhstani facilities. The first DoD technical meetings occurred in July 1994, and the program ran through FY 1998. A local area network (LAN) was delivered to the Atomic Energy Agency of the Republic of Kazakhstan (AEA-RK) in August 1995, and MC&A equipment was delivered to Ulba. Kazakhstan PP specialists have traveled to the United States for technical training, while DOE continues to install remote monitoring equipment at Aktau.

Expanded Defense and Military Contacts: The objective of this assistance is to promote democratic reform of Kazakhstan's military so that it can better interact with U.S. and NATO militaries. Over 30 military contact events were organized for 1997 and 43 were organized for 1998. These events have included a bilateral working group meeting in Washington, various U.S. National Guard visits to Kazakhstan to assist the country with military environmental cleanup procedures, Kazakhstani defense personnel participation in air doctrine symposiums, and a Kazakhstani visit to the U.S. Military Academy.

Industrial Partnerships: The objective of this assistance is to convert former military enterprises to the production of civilian goods. The following projects were funded prior to Congressional prohibition of defense conversion funding:

- **Byelocorp Scientific, Inc. (BSI):** BSI has been contracted to convert GidroMash, a former missile and aircraft systems production facility, to designing, manufacturing and distributing valves and pressure vessels for cryogenic materials and gases. The U.S. and Kazakhstani partners are working very well together. The first prototype of a stainless steel cryogenic valve was produced in June 1995, and the production lines for valves, fittings, and other components are up and running. Full production was reached in July 1996, and the export of cryogenic valves has begun. An additional \$1.25 million was awarded to BSI in September 1997 to establish an additional production line for cryogenic intermodal containers at Byelkamit within 14 months. BSI plans to contribute an additional \$2.1 million worth of equipment and services. This project will utilize additional former defense factory space and initially employ 67 former defense workers. Employment of former defense workers is expected to increase as sales improve. This joint venture is among the most successful in Kazakhstan.
- **Allen & Associates International:** Allen & Associates International has been contracted to convert BioMedPreparat, a former biological weapons research and production facility, to manufacturing, packaging and distributing vitamins. Initially, the project bottled vitamins imported from the United States; however, the project fell behind schedule, was plagued by cut-offs of electrical service due to BioMedPreparat's failure to pay its electric bills, and was terminated at the convenience of the U.S. Government.
- **Kras (Kazakhstan's National Nuclear Center):** Kras has been contracted to convert a former nuclear weapons testing facility into a printed circuit board (PCB) production plant. Production has begun and a formal opening ceremony for the joint venture was held in September 1996. The joint venture, KK Interconnect, is now selling its products—a patented universal telephone/modem adapter and universal TV remote control—in the United States and Europe. The venture has expanded its products to include PCBs for televisions and computers, and plans to begin production of PCBs for security systems and cash registers. The Defense Enterprise Fund (DEF) has taken a 31-percent share of the joint venture in exchange for an equity investment of \$ 3.0 million.
- **Lucent Technologies:** Lucent Technologies has been contracted to convert KazInformTelecom (KIT), which owns a portion of the Saryshagan test range, into an international telecommunications company and to establish wireless telecommunication in 11 cities using Saryshagan as an international telecommunications downlink. The DEF will assist in capitalization and initial operation of the national/international phone system, and has approved a \$3.0 million equity investment. The Kazakhstani side is concerned that DoD has not formally transferred the title to the DoD-provided equipment to the joint venture, thus continuing an anomalous tax situation and delaying the capital investment by one of the partners. DoD hopes to close the contract with Lucent in FY 1999. But, if contract closure is delayed, DoD will consider transferring the title prior to contract completion.

Defense Enterprise Fund (DEF): DoD has provided a total of \$7 million to the DEF for equity investments, grants, and loans in joint ventures with Kazakhstani WMD enterprises. DEF funding includes the above-mentioned \$3 million for the Lucent project and \$3.0 million for the Kras venture.

International Science and Technology Center (ISTC): The ISTC provides opportunities for former WMD scientists and engineers to pursue peaceful research. Kazakhstan completed formal ISTC membership procedures in June 1995. A total of \$9 million has been provided by DoD, all of which has been disbursed. In FY 1996, funding responsibility was transferred to the Department of State under the FREEDOM Support Act (see Science Centers section below).

Weapons of Mass Destruction Infrastructure Elimination (WMDIE): The objective of WMDIE assistance is to eliminate facilities or infrastructure that supported WMD. The WMDIE Program includes a \$24.5 million project to assist Kazakhstan in infrastructure dismantlement at a former Soviet biological weapons (BW) plant at Stepnogorsk and the elimination of nuclear testing infrastructure associated with former Soviet nuclear test tunnels at Degelen Mountain and vertical test holes at Balapan. To date, 178 of 181 tunnels and all 13 remaining test holes have been sealed. A DoD contracting team visited Stepnogorsk in December 1996 and signed a contract with BioMedPreparat to inventory equipment at the facility, determine analytical laboratory requirements and prepare for dismantlement. In October 1997, parallel U.S.-Kazakhstani testing of some 1,000 samples taken at Stepnogorsk was completed. The testing was performed in a toxicology lab in Kazakhstan established with CTR assistance, which may be later be reutilized for environmental use. The Kazakhstani dismantlement plan was delivered to DoD in early November 1997, and dismantlement was initiated in September 1998 and will last 18 months. Under the Stepnogorsk Initiative, a broader U.S. Government interagency redirection effort, two project proposals under DOE's Initiatives for Proliferation Prevention (IPP) program are being developed. WMDIE funds also helped pay for activities under Project Sapphire, which involved the purchase and transfer to secure storage of weapons-usable uranium from Kazakhstan to the United States, as well as related assistance.

Audits and Examinations (A&E's): An A&E of Government-to-Government Communications Link (GGCL) activities was conducted in Kazakhstan in July 1995 and went very smoothly. In 1996, three A&E's were conducted in Kazakhstan on export control, emergency response and defense conversion activities. The A&E on export control assistance identified only one minor discrepancy, and corrective action was subsequently taken. In 1997, A&E's on WMDIE assistance at Degelen Mountain and on SOAE silo launcher elimination took place in August, an A&E on export controls was conducted in October, and an A&E on MC&A was completed in late 1997. In 1998, three A&E's were scheduled for Kazakhstan on emergency response equipment and training, WMDIE assistance (BW) at Stepnogorsk, and GGCL assistance. The A&E on emergency response equipment and training was conducted in June 1998, with one minor discrepancy identified and subsequently corrected. The two remaining A&E's for Kazakhstan were conducted in August 1998 and found no major discrepancies. Kazakhstan continues to be a very cooperative partner in the conduct of A&E's.

Other Donors: The United States is not alone in providing dismantlement-related assistance to Kazakhstan. Germany's ongoing and planned projects include export control and officer resettlement/retraining assistance. The U.S. Government is supporting Japan's MC&A upgrade project at the Aktau BN-350 breeder reactor, which involves the installation of a spent-fuel gate monitor. The European Union has funded two ISTC projects worth approximately \$443,500, Sweden has funded three projects for a total of \$425,000, and Japan has funded one ISTC project at \$215,400. NATO allies regularly brief each other on the progress of their projects in the Senior Politico-Military Group on Proliferation (SGP) and in bilateral discussions. These issues have also been discussed in G-7 fora. DoD continues to work with other nations to ensure that our programs in Kazakhstan are complementary and cooperative.

RUSSIA

PROJECT NAME	NOTIFIED	OBLIGATED
1. Strategic Offensive Arms Elimination	\$373,700,000	\$320,722,114
2. Weapons Transportation Security	\$34,000,000	\$32,306,365
3. Armored Blankets	\$3,322,000	\$2,991,247
4. Security Enhancement for Russian Railcars	\$21,500,000	\$21,494,092
5. Weapons Storage Security	\$91,500,000	\$35,771,262
6. Emergency Response Training/Equipment	\$15,000,000	\$14,798,762
7. Fissile Material Storage Facility Design	\$15,000,000	\$14,998,584
8. Fissile Material Storage Facility	\$150,000,000	\$149,557,241
9. Fissile Material Storage Containers	\$80,500,000	\$62,018,896
10. Core Conversion	\$51,000,000	\$49,461,582
11. Chemical Weapons Destruction	\$192,100,000	\$135,322,606
12. BW Proliferation Prevention	\$5,000,000	\$115,749
13. Industrial Partnerships	\$38,000,000	\$36,348,444
14. Defense Enterprise Fund	\$10,000,000	\$10,000,000
15. International Science and Technology Center	\$35,000,000	\$34,999,964
16. Research and Development Foundation	\$10,000,000	\$10,000,000
17. Defense and Military Contacts	\$16,050,000	\$13,267,078
18. Material Control and Accounting	\$45,000,000	\$44,523,592
19. Export Control	\$2,260,000	\$2,245,494
20. Arctic Nuclear Waste	\$30,000,000	\$29,951,550
TOTAL:	\$1,218,932,000	\$1,020,894,621

as of 11/23/98

Overview

The United States and Russia have signed a government-to-government umbrella agreement on CTR assistance, twelve agency-to-agency CTR implementing agreements, one implementing protocol, and one memorandum of understanding and cooperation. DoD has notified to the U.S. Congress over \$1.2 billion in CTR assistance to Russia, of which over \$1 billion has been obligated through FY 1998 and over \$603 million disbursed. Cooperation has evolved and strengthened over the years in DoD's interaction with the Russian ministries administering the CTR program, including the Ministry of Defense (MoD), the Ministry of Atomic Energy (MinAtom), the now-disbanded Ministry for Defense Industry (MDI), and the Ministry of Economy (MinEcon).

Since FY 1997, the CTR program has focused increasingly on Russia. About \$415 million of the \$440.2 million appropriated for CTR in FY 1999 is earmarked for Russia. To assist Russia in reducing its force structure to START II or III levels, DoD, MoD and MinEcon agreed in December 1997 on new CTR projects to support the required missile systems dismantlement, strategic submarine elimination, and enhance nuclear weapons and fissile material security. Several of these projects are already under way. Projects are also being developed to help the Russians process and package fissile material in the post-dismantlement stage and to prevent the proliferation of biological weapons (BW) expertise and technology.

Projects

Strategic Offensive Arms Elimination (SOAE): The objective of SOAE assistance is to provide Russia with equipment, training, services and logistical support to help expedite the elimination of strategic offensive arms pursuant to the START treaties. This effort includes assistance with liquid rocket-fuel transportation and disposition, SLBM launcher and associated submarine elimination, ICBM silo launcher elimination, solid rocket-motor elimination, ICBM dismantlement, heavy bomber elimination and other projects. It also includes equipment for emergency support in case of an accident during the transport or elimination of missiles. Equipment shipments have continued steadily since July 1994. MinEcon has assumed executive agency duties from the disbanded MDI.

DoD has awarded a contract to eliminate 7 SSBNs with SLBM launchers and plans to contract to eliminate at least 30 additional SSBNs with SLBM launchers. DoD also is procuring infrastructure and equipment to expand SLBM launcher and associated submarine elimination. In FY 1998, DoD also awarded a contract to transport, defuel, eliminate, neutralize and dismantle submarine-launched ballistic missiles (SLBMs) from the Yankee- and all Delta-class SSBN submarines. Together, these projects will increase Russia's capability to eliminate its SSBN submarines from 5 to 10 per year. A solid rocket-motor elimination facility contract was awarded in April 1997 to Lockheed Martin for \$52.4 million, but the project was delayed 18 months by a Russian Government decision to change the facility location from Perm to Votkinsk and the need to accomplish a new technical feasibility study. The new facility will eliminate SS-24s, SS-N-20s and SS-25 solid rocket motors. DoD is developing a project to eliminate SS-18 heavy-lift ICBMs in accordance with the stringent START II procedures by procuring equipment and building additional infrastructure needed for Russia's existing SS-18 dismantlement facility at Surovatikha. DoD is currently designing modifications to the SS-11 elimination facility at Piban Shur to configure it to eliminate SS-19 and SS-17 ICBMs.

Nuclear Weapons Transportation Security: DoD and the MoD are cooperatively working to enhance the security of nuclear weapons during transport in connection with their destruction. CTR has completed procurement of armored blankets, security enhancements for warhead transport rail cars, 150 supercontainers, and emergency support equipment.

- **Armored Blankets:** The objective of this assistance is to provide ballistic protection by wrapping warheads or containers with armored blankets. A total of 1,500 surplus U.S. Army LANCE ballistic blankets were shipped in July 1992, and 2,520 new kevlar blankets had been shipped by June 1993.
- **Rail Car Security Enhancements:** The objective of this assistance is to provide training and equipment to modify cargo and guard rail cars for transport of nuclear weapons destined for dismantlement. Security upgrade kits for 100 cargo and 15 guard railcars had been provided to MoD as of October 1994, and all but 32 were installed by Russia. Due to the MoD's lack of funds, DoD contracted with a plant in Tver to install the remainder in April 1996. A new project is being developed to procure computer equipment for an information analysis system to support nuclear accident assessment, response, and clean-up activities.
- **Supercontainers:** Supercontainers enhance nuclear weapons security and safety during transport. In February 1998, the 150th British-designed supercontainer for enhanced physical security and adverse environment safety during transportation was delivered. Two prototypes will be provided for use in training.
- **Emergency Support Equipment:** The objective of this assistance is to provide equipment, training and technical manuals to enhance the MoD's capability to respond to accidents involving nuclear weapons in transit to dismantlement activities. Subsequent follow-on training may be conducted. Five sets of emergency support equipment and overpack containers to be carried on the nuclear weapons shipment trains for use in case of a rail accident were delivered in 1997. The last pieces of equipment—three Canberra radiation detection units being modified for underwater use—were delivered in March 1998. Efforts are under way to extend this project until June 1999 to continue necessary logistical support.

Nuclear Weapons Storage Security: The objective of this assistance is to establish cooperation between DoD and the Russian MoD in enhancing the security of nuclear weapons storage in connection with their destruction, and the prevention of nuclear weapons theft or diversion. Important improvements to the security of Russia's nuclear weapons storage include an Analytical System and Software for Evaluation of Safeguards and Security (ASSESS) computer model, as well as training to assess site and guard-force security vulnerabilities. As Russia currently does not allow access to its sensitive nuclear weapons storage sites, DoD and MoD have developed special audit and examination (A&E) procedures to ensure that assistance for nuclear weapons storage sites is being used for its intended purpose.

- **Security Assessment and Training Center (SATC):** A new SATC is being built at Sergiev Posad to test and evaluate new security alarm and access denial equipment. In November 1997, the Russian company Eleron was awarded a contract to produce the security design for the SATC, and the U.S. company Bechtel was awarded a contract to outfit and establish the SATC. Once a suite of equipment is selected it will be procured and installed at up to 50 of Russia's national nuclear weapons storage sites, up to 48 Russian Air Force and

Navy sites, and as many as 25 Strategic Rocket Forces (SRF) sites. A 90-percent design review was completed in November 1998. Deliveries of “quick-fix” upgraded fencing and sensors (50km) took place from September through December 1997. The MoD has installed about fifteen percent of the equipment at the first 50 national weapons storage sites and is working to install the remainder as soon as possible.

- **Nuclear Weapons Automated Inventory Control and Management System (AICMS):** Initial computer equipment for establishing an AICMS has been procured and delivered. The MoD’s analysis of the AICMS prototype was completed in 1997, and the MoD agreed to have a U.S. integrating contractor assist in the development of computer architecture and the procurement computer and interface components. Equipment installation by MoD is currently delayed due to an MoD request for CTR assistance with certification and installation.
- **Personnel Reliability Program (PRP):** CTR has provided equipment and training for upgrading Russia’s PRP. Portable drug and alcohol testing equipment arrived in November 1997, and related training was completed in early 1998. Polygraph equipment arrived and was installed in January 1998. A fixed-site laboratory contract was awarded in December 1998.

Fissile Material Storage Facility (FMSF): The objective of this assistance is to help the Russian Government provide safe and secure storage for fissile material from dismantled nuclear weapons. DoD is committed to provide design assistance, construction support, and construction and equipment for the storage facility being built at Mayak. DoD is currently reexamining the amount that it plans to contribute to support the cost of building the facility; initially, DoD expected the Russian Government to budget an amount sufficient to cover the remaining construction costs and all related infrastructure costs, but now this does not appear likely. DoD provided \$15 million for technical design assistance materials, services and training for the Russian-led design effort for the facility. A total of \$150 million in CTR funding is being used for the Russian-led construction of the facility and procurement of facility equipment, as well as for additional design assistance. U.S.-provided construction equipment (e.g., bulldozers, excavators and cranes) has been delivered to Mayak and is being used in Phase I of the construction process. DoD’s on-the-ground presence for the duration of the project as part of the joint administrative team at Mayak is helping to expedite construction. Construction of exterior walls on main buildings and the building of interior structures and the roof have almost been completed. As a result of delays caused by Russian Government funding shortfalls, the first storage building with a capacity of 25,000 cans of material is scheduled to be completed by 2002. A decision on the fate of a second building with an equivalent capacity will be made by 2000, based on a reevaluation of Russian storage requirements and availability of funding. DoD continues to monitor project milestones, as well as the status of Russian Government funding for this project.

Fissile Material Containers (FMCs)/Post-Dismantlement Processing: The objective of this assistance is to provide MinAtom with containers for the transport and storage of fissile material from dismantled weapons. The original plan was to store 50,000 FMCs in the Mayak facility. DoD has awarded a contract for the delivery of 33,000 FMCs. As of the end of November 1998, 32,453 FMCs had been produced and 26,456 had been shipped to Russia. The rest are in storage in the United States until the Russian storage requirements are finalized. MinAtom has also requested U.S. assistance in the post-dismantlement and conversion process, which includes building inserts for the FMCs to hold the fissile material, reshaping the material and loading the inserts. Initial joint technical discussions have taken place, and DoD has indicated that it will proceed with this project; however, there are many questions that still need to be answered by MinAtom. One important requirement for the project will be adequate transparency, which probably will require access to sensitive facilities.

Core Conversion: The objective of core conversion assistance is to modify the cores of Russia’s three remaining plutonium(Pu)-producing reactors in Tomsk and Krasnoyarsk in order to halt the production of weapons-grade Pu by December 31, 2000, while allowing the reactors to continue to provide heat and electricity to the regions’ residents. DoD is the project manager, with technical assistance provided by DOE and the Nuclear Regulatory Commission. DoD has contracted the Phase II effort (design and testing) with DOE-Richland and Pacific Northwest National Lab. A CTR implementing agreement was signed in September 1997. DoD is moving toward a final U.S. Government decision on the type of fuel to be used in the converted cores—highly enriched uranium (HEU) or low-enriched uranium (LEU). Actual implementation of the project—the reactor modifications—is scheduled to begin in 1999, although a lack of Russian funding may delay completion of the project until 2001.

Under a revised MinAtom work plan, one reactor would be converted in 2000, but the other two would not be shut down for conversion until April 2001.

Chemical Weapons Destruction Assistance: This program, whose objective is to assist Russia in destroying its chemical weapons (CW) stockpile and associated infrastructure, has three elements: (1) provision of chemical-agent analytical monitoring capabilities, (2) design and construction of a CW destruction facility (CWDF), and (3) elimination of chemical weapons production facilities. The U.S. Government plans to provide CTR assistance for the construction of a CWDF with an initial design capacity not to exceed 500 metric tons of nerve-agent filled artillery munitions. The facility is to be located at Shchuchye, in the Kurgan Oblast (Region), where some 14 percent of Russia's nerve agent munitions are stored. Compliance with Russian feasibility and environmental regulations is expected to delay construction permit approval until summer 1999. U.S. and Russian scientists tested the Russian two-stage (neutralization/bituminization) chemical agent destruction process, and results are expected in early 1999. The Russian Government's Environmental Expert Review Board approved the overall Russian justification of investment (JOI) for the CWDF project in January 1998, allowing the Main State Expert Review Board to complete its review of the JOI and the Kurgan Oblast authorities to select the site for the destruction facility near Shchuchye in June 1998. Site dedication took place in September 1998. The three mobile labs required for the Chemical Agent Analytical Monitoring Project were delivered to Shchuchye in September 1996. An engineering management support (EMS) contract was awarded to the Ralph M. Parsons Company in December 1996 for the integration of activities necessary to establish the CWDF. EMS tasks include the destruction process and related equipment, designs for agents and munitions, process scale-up, facility design, equipment acquisition/installation, construction, operator training, systemization and start-up. At the October 1997 meeting of the CW Destruction Program Senior Implementing Group (CHEMSIG) in Moscow, agreement was reached on a project schedule that aimed at processing the first CW munitions in late 2002. However, site selection delays and the lack of Russian Government funding for infrastructure to support the CWDF have delayed the construction completion date until September 2004 and the start of CW munitions processing until December 2004.

- Now that Russia has ratified the Chemical Weapons Convention (CWC), international donors are needed to provide assistance to Russia's overall CW destruction effort. A NATO-based process to help coordinate such assistance is now under way. In addition, efforts are proceeding to eliminate chemical weapons infrastructure and capabilities of the former CW weapons production facilities within the KhimProm, Volgograd and KhimProm Novocheboksarsk chemical complexes. The goals of these efforts are to help bring the KhimProm chemical complexes into compliance with the CWC and help stimulate U.S. commercial interest in scientific and technical personnel and proposals at the KhimProm Volgograd facility. A proposed amendment is awaiting Russian Government approval and would provide authority to cover future demilitarization activities at both complexes. In addition, CTR is exploring the provision of security enhancements for Russia's CW storage sites.

Biological Weapons (BW) Proliferation Prevention: The objective of this assistance is to prevent the proliferation of BW technology and expertise by joint research at former Soviet BW institutes on biodefense. Building on a pilot project carried out by the National Academy of Sciences, DoD is establishing the management and contracting structure to identify research priorities, evaluate proposals, identify partners, and allocate funding for this project. CTR is working in conjunction with the Department of State and a number of other U.S. Governmental agencies to develop these collaborative relationships. These efforts increase transparency and access and build confidence that such former Soviet facilities are not being used for military modernization. These projects also provide exchange opportunities to Russian and American scientists. In addition, CTR is developing a BW site-security enhancement project similar to the one associated with Russia's nuclear sites.

Defense Conversion: The objective of defense conversion programs is to convert former military enterprises to the production of civilian goods. The following projects were funded prior to Congressional prohibition of defense conversion funding:

- **Industrial Partnerships:** Three industrial partnerships in Russia succeeded in converting and privatizing former WMD-related military facilities to establish civilian production of high-performance hearing aids, dental chairs and infection-control solutions, and air traffic control hardware and software. These partnerships have enhanced the commercial potential of former high-technology military enterprises and have served as a visible reminder of the vital importance of involving private partners and capital in the conversion endeavor.
- **Housing:** DoD provided \$20 million for American Housing Technologies, Inc. (AHT) to work with one or more Russian defense firms to convert and privatize defense facilities and establish housing-assembly and component-manufacturing capabilities for the production of prefabricated housing for demobilized Russian officers and the Russian housing market. The project envisions establishing a lumber-finishing plant and production lines for windows and doors, brass casting (for the production of boilers), roofing, and housing assembly by converting three Russian aerospace enterprises formerly engaged in production of WMD-related items. More than 70 percent, or 20,000 square meters, of factory space at the enterprise Komposit is being converted to produce fiberglass windows, doors, window glass, faucets and shingles, ultimately employing 2,500 former defense workers. Mashinostroeniye has converted 3,000 square meters and will employ 300 former defense workers to produce windows and doors. Production on these lines is expected to begin during the first half of 1999. Despite continuing progress in these areas, a housing-assembly partnership has not yet been formed, despite repeated attempts by AHT and the MoD to identify a suitable Russian partner. Two potential Russian partners backed out, and a third offered by the MoD was unable to privatize due to taxation problems.

Defense Enterprise Fund (DEF): The DEF has invested in eight projects in Russia, primarily in the areas of telecommunications, information technology, and materials recycling. The DEF has been extremely effective, not only funding successful conversion projects in Russia, but also helping the Russian Government and the Russian defense industry understand the requirements conversion projects must meet in order to attract private venture capital. As a direct result of DEF investments, a former manufacturer of nuclear submarine components is now building excavation equipment, scientists and engineers who were involved in nuclear weapons testing now produce circuit boards, and satellite tracking technology is now employed in private telecommunications applications.

International Science and Technology Center (ISTC): The Moscow-based ISTC provides opportunities for former Soviet WMD scientists and engineers to pursue peaceful research. The ISTC is a multinational organization to which DoD provided \$64 million in CTR funds before funding responsibility was transferred to the State Department under the FREEDOM Support Act in FY 1996 (see Science Centers section below).

Civilian Research and Development Foundation (CRDF): The CRDF provides research and development (R&D) opportunities for NIS scientists, particularly from the defense sector, and encourages links between NIS scientists and U.S. scientists and businesses. CTR funds, contingent upon the receipt of matching funds (\$5 million was initially provided by the Soros Foundation), were provided to establish this National Science Foundation-administered program (see CRDF section below).

Material Control and Accounting, and Physical Protection (MC&A and PP): The objective of this assistance is to strengthen Russia's capability to detect and deter possible theft, diversion, or other unauthorized use of nuclear material. Physical protection enhancements help to detect, delay and respond to adversarial acts, including theft and sabotage. The U.S. Government also helps national and facility-level Russian authorities enhance their capability to effectively track and report on nuclear material inventories as well as illicit transfers. In FY 1995, the U.S. Department of Energy became the executive agent for these programs, and beginning in FY 1996, funding responsibility for this program shifted to DOE.

Export Control: Export control assistance helps prevent proliferation by strengthening Russia's export control capabilities. CTR funding has supported the Russian Government's participation in conferences, training and information exchanges in order to integrate it into the international export control community and to facilitate more

effective control of sensitive exports and adherence to international control regimes. Responsibility for this program was shifted to the Department of State in 1996. All remaining DoD funds have been obligated and disbursed (see State Department Export Control section below).

Arctic Nuclear Waste Assessment: The objective of this assessment is to investigate and analyze nuclear waste disposal in the Arctic regions. Several studies were performed under this initiative, which was established in FY 1993 as primarily a unilateral U.S. Government effort. The Russian side has been cooperative, but no formal agreements have been reached, and none are planned. DoD has obligated almost all the \$30 million notified to the U.S. Congress for this effort and has completed the research.

Audits and Examinations (A&E's): Although the U.S. Government's rights to conduct A&E's are spelled out in the CTR Umbrella Agreement and various CTR implementing agreements, in response to Russian requests, DoD worked with various Russian counterpart agencies in late 1995 and early 1996 to define administrative arrangements for the conduct of A&E's. Since then, A&E's in Russia have generally operated smoothly, with a few exceptions where projects were under MinAtom's purview. In September 1997, supplementary special arrangements were developed to permit DoD to account for assistance being provided to enhance the physical security of sensitive nuclear weapon storage sites. The initial trial A&E for this unique project successfully occurred in mid-1998. A&E's are expected to continue at least through 2001, as agreements provide for their execution for three years following the terms of the relevant implementing agreements.

Other Donors: The United States is not alone in providing dismantlement-related assistance to Russia. Germany's ongoing and planned projects in Russia include emergency response equipment and training, fissile material conversion, chemical weapons destruction, nuclear reactor safety, environmental protection and housing. Germany has also completed projects on officer resettlement and retraining, has provided a large robot to be used in case of a radiation accident, and is interested in developing MPC&A projects in Russia. Germany is also providing equipment for CW destruction at Gornyy. Italy is involved in providing emergency response equipment and training and is considering support for social infrastructure at Russian CW destruction sites. France is assisting with dismantlement tools, supercontainers, radiation protection and detection equipment, and a storage facility for hydrogenated-lithiated materials resulting from the dismantling of Russian nuclear weapons, as well as sponsoring a joint French-Russian study on the potential use of nuclear materials recovered from Russian weapons elimination (particularly plutonium) in civilian reactors through transformation into mixed oxide fuel. France is also considering CW destruction assistance. The United Kingdom is also providing supercontainers and trucks specially outfitted for weapons transport, and is funding officer resettlement and retraining. Canadian funding supports defense conversion projects, nuclear reactor safety and environmental protection. Norway is developing submarine elimination and related projects and is considering assisting with CW elimination. DoD is working with the Japanese to define useful areas for their assistance in the field of weapons material protection, safety and security. Japan has expressed interest in supporting emergency response assistance and has awarded a contract for a low-level liquid waste elimination barge to support Russian submarine elimination. The Netherlands, Sweden and Finland are supporting Russian CW destruction at Kambarka, and the Netherlands are also considering support for submarine elimination. NATO allies regularly brief each other on the progress of their projects. These issues have also been raised and discussed in G-7 fora. The U.S. Government continues to work with many nations to ensure that our programs remain complementary and cooperative. The U.S. Government has offered to assist the Russian Government in planning and conducting a second international assistance conference to accelerate CW destruction efforts, which is expected to take place in early 1999.

UKRAINE

PROJECT NAME	NOTIFIED	OBLIGATED
1. Strategic Nuclear Arms Elimination	\$366,400,000	\$320,085,877
2. WMD Infrastructure Elimination	\$23,400,000	\$8,036,591
3. Emergency Response Training/Equipment	\$3,400,000	\$3,129,796
4. Industrial Partnerships	\$55,730,000	\$54,914,895
5. Defense and Military Contacts	\$7,500,000	\$4,491,754
6. Material Control and Accounting	\$22,500,000	\$22,215,542
7. Science and Technology Center	\$15,000,000	\$14,876,022
8. Export Control	\$13,890,000	\$13,253,655
9. Government to Government Communications Link	\$2,222,000	\$1,967,412
10. Multilateral Nuclear Safety Initiative	\$11,000,000	\$11,000,000
TOTAL:	\$521,042,000	\$453,971,543

as of 11/23/98

Overview

The United States and Ukraine have signed a government-to-government umbrella agreement on CTR assistance, nine implementing agreements, and one memorandum of understanding. To date, DoD has notified to Congress more than \$521 million in CTR assistance to Ukraine, of which over \$453 million has been obligated through FY 1998 and over \$359 million disbursed. Despite some early difficulties, CTR efforts in Ukraine have become one of DoD's most successful programs. With the Ukrainian Government's official decision to eliminate the SS-24 missile system and eliminate several Bear H and Blackjack heavy bombers and their associated air-launched cruise missiles (ALCMs), CTR projects and further funding requests are expected to continue through FY 2002.

Projects

Strategic Nuclear Arms Elimination (SNAE): SNAE activities help facilitate START I implementation and will help eliminate all strategic nuclear weapons systems in Ukraine, including the SS-19 and SS-24 ICBM systems, and up to 44 heavy bombers. SNAE assistance has included grants that were critical to the removal, processing and transportation of all strategic nuclear warheads (approximately 1,900) from Ukraine to Russia, allowing Ukraine to announce its nuclear-free status in June 1996. Through November 1998, nearly all of the 130 SS-19 missiles, launch silos (including one training silo), and all 13 SS-19 launch control center silos have been eliminated. SNAE assistance to Ukraine is focused on eliminating the SS-19 and SS-24 launchers and missiles, as well as the remaining START-accountable heavy bombers. Assistance provided through November 1998 included equipment and personnel training, logistics and maintenance services, integration of contractors to eliminate missiles and silos, and housing for retiring SRF officers. An SS-19 missile neutralization and dismantlement facility (NDF) that can process up to six missiles per month was commissioned in July 1996. The pace of the barely year-old SS-24 project accelerated in June 1998, when contracts were awarded to Bechtel for silo elimination and Morrison Knudsen for initial disassembly and storage. DoD expects all SS-19 missiles and silos and approximately 10 SS-24 silos to have been eliminated by December 1999. In addition to elimination of the delivery system, a missile liquid-fuel storage facility was expanded by 3,800 metric tons (MT) to hold over 5,000 MT of SS-19 fuel. The fuel from all 130 missiles is already in storage. CTR-funded SNAE projects in Ukraine also include a bomber component. In December 1997, the Ukrainian Government submitted an official request to the Secretary of Defense for specific CTR assistance in eliminating as many as 44 START-accountable heavy bombers (the START Treaty lists 25 Bear Hs and 19 Blackjacks in Ukraine) and 1,068 associated ALCMs. Raytheon was awarded an integrating contract for bomber elimination in June 1998, and the first bomber elimination began in November 1998, witnessed by Senator Lugar and a Congressional delegation. In addition, CTR will be providing assistance in destroying a number of non-deployed START-accountable ICBMs (SS-11s, SS-17s and SS-19s). Ukrainian law provides that military officers must receive housing on retirement. To provide the officers' housing required for

dismantlement of the SS-19 system and to assist in downsizing the Ukrainian military, DoD constructed 605 housing units for SRF officers at Pervomaysk and Khmelnytsky. This project was completed in 1997.

Weapons of Mass Destruction Infrastructure Elimination (WMDIE): The objective of WMDIE assistance is to eliminate the infrastructure necessary to support WMD forces, including physical plants, support systems and materials. All WMDIE programs are scheduled to be concluded by FY 2002. Elimination of missile propellant and deactivation of nuclear weapons support infrastructure at the Pervomaysk and Khmelnytsky ICBM Divisions is already under way.

Export Control: The objective of this assistance is to strengthen export control systems by building export control institutions and infrastructure. DoD has provided automation equipment for Ukraine's licensing, enforcement, and customs administrations, as well as customs interdiction equipment. Equipment procured under this program includes office automation equipment, local area networks (LANs), customs laboratory equipment, and X-ray enforcement and radiation-detection equipment. Although funding and administration of this effort shifted to the Department of State in 1996, the CTR Export Control Implementing Agreement has been extended to complete an ongoing project using prior-year funds.

Material Control & Accountability and Physical Protection (MC&A and PP): The objective of this assistance is to help establish a national MC&A system, and upgrade the physical protection and MC&A of four facilities. This program provides systems to detect and deter the theft, diversion or other unauthorized use of nuclear material. Beginning in 1996, funding responsibility for this program was transferred to DOE. Work is under way at four nuclear sites in Ukraine to provide the infrastructure associated with implementing MC&A and PP. Throughout FY 1998, technical exchanges and site visits were used to identify specific hardware requirements and to demonstrate systems. Training courses in non-destructive assay, as well as MC&A and PP were held for staff from all Ukrainian nuclear facilities. Procurement actions have been initiated for x-ray vans, baggage x-ray machines, contraband detectors, access control systems, and perimeter and interior intrusion-detection systems for all four facilities.

Civilian Cooperative Nuclear Reactor Safety Upgrade: The objective of this assistance is to provide a nuclear reactor simulator for training of reactor operators and engineers to enhance safe operation of nuclear power plants. The U.S. Government has helped establish a National Nuclear Training Center with a computer-based, full-scope simulator that simulates the behavior of a VVER-1000 nuclear power plant. This project is administered by DOE, and involves simulator hardware and software design and engineering, training, construction and testing, shipping, installation, spare parts, and other support. The simulator was delivered by the U.S. Government in October 1997.

Government-to-Government Communications Link (GGCL): The objective of GGCL assistance is to provide Ukraine with its own capability to fulfill its reporting requirements under the INF and START Treaties, which it had previously done through Russia. The first GGCL circuit is now installed and operational. A software upgrade was completed in March 1996. Software and operations training took place in mid-August 1996. DoD technical teams visited Ukraine in November 1996, February 1997, and June 1997 to prepare for the installation of the second GGCL circuit, which will use a single-channel satellite ground station provided by DoD. Ukraine will modify this station at its own expense into a multi-channel circuit and will use the proceeds from leasing the extra channels to pay for the leasing and operation of the second circuit.

Emergency Response Equipment and Training: The objective of this assistance is to provide the MoD with equipment and training to respond to an accident or incident involving nuclear weapons during transit related to dismantlement. Although emergency response equipment was delivered, including communications equipment for a command and control computer network, fire-retardant suits, anti-contamination suits, cranes, and personal dosimeters, the completion of the transporting of all nuclear weapons back to Russia obviated the need for most of this equipment. As a result, the corresponding implementing agreement was allowed to lapse after December 18, 1996. DoD has approved a plan to sell some of this equipment to fund needed maintenance to SS-24 missile monitoring systems. All activities associated with this program, including training and equipment support, are being terminated.

Science and Technology Center-Ukraine (STCU): The STCU provides opportunities for former Soviet weapons scientists and technical experts to pursue peaceful research. U.S. Government funding is complemented by \$2

million from Canada and \$2 million from Sweden. Funding responsibility for the STCU shifted to the Department of State in FY 1996 (see Science Centers section below).

U.S.-Ukraine Industrial Partnerships: The objective of these joint industrial partnerships between U.S. and Ukrainian firms is to convert former Soviet military production capability to peaceful, civilian uses.

- **Federal Systems Group (FSG)/Kommunar:** In this project, FSG was awarded a \$3.25 million contract by Defense Special Weapons Agency (DSWA), now the Defense Threat Reduction Agency (DTRA), to form KomTel, a joint venture with Ukraine's Kommunar Production Association, Inc., to assemble and manufacture cellular phones. FSG was to contribute \$1.5 million to the creation of this \$4.4 million joint venture. FSG provided equipment and completed the contract; however, serious performance-related issues arose prior to the completion of the contract. It was subsequently determined that a termination for default would not be sustainable. Kommunar was extremely dissatisfied with its U.S. partner and requested U.S. Government assistance in finding a new joint venture partner. The KRAS Corporation received an \$80,000 contract to conduct a feasibility study of cellular phone production at Kommunar, with the end goal of identifying a new investor for the joint venture. The study found that cellular phone production in Ukraine was economically feasible but that finding a new cellular phone partner for Kommunar was unlikely due to a non-competitive agreement between FSG and Kommunar. DTRA contracted with the International Executive Service Corps (IESC) to work with Kommunar to develop business plans and search for potential partners for products other than cell phones. Over \$700,000 in FY 1998 funds was notified to the U.S. Congress to provide additional assistance in this area.

Audits and Examinations (A&E's): A&E's help ensure that CTR assistance is being used for its intended purposes. Responding to Ukrainian requests, DoD worked to develop administrative arrangements in 1995 and 1996 for the conduct of A&E's as provided under the CTR Umbrella Agreement. DoD conducted four A&E's in 1995 on a trial basis. In 1996, DoD conducted successful A&E's of rocket propellant disposition, silo launcher elimination assistance under the SNAE agreement, export control assistance, emergency response equipment, and MPC&A assistance in Kharkiv and Kiev. A total of five A&E's were conducted in Ukraine in 1997. In response to a January 1997 Ukrainian Government request, DoD conducted a comprehensive A&E covering \$68 million worth of SNAE assistance. Other A&E's were completed in fall 1997 on the GGCL, export control and defense conversion projects. An additional A&E in December 1997 covering SNAE silo launcher elimination and liquid rocket propellant disposition found several major pieces of equipment in unserviceable condition, but repairs were expected to be made by the end of 1998. U.S. A&E rights in Ukraine will end with the termination of individual implementing agreements or of the CTR Umbrella Agreement, whichever occurs first.

Defense and Military Contacts: The objective of these contacts is to promote improved defense relations between U.S. and Ukrainian military personnel and institutions. Over 182 events have been supported between various DoD organizations and their Ukrainian counterparts, including Bilateral Working Group meetings and Joint Staff Talks in Ukraine, Ukrainian visits to the U.S. National Training Center, U.S.-hosted peacekeeping simulation exercises, and a U.S. Air Force Air Mobility Command visit to Ukraine. These contacts are scheduled to continue, with exchanges and interaction currently planned through the fourth quarter of FY 2005.

Other Donors: The United States is not alone in providing dismantlement-related assistance to Ukraine. The United States is prohibited from pursuing any new housing projects or environmental projects in Ukraine, making those areas prime candidates for assistance from other donor nations. Germany's ongoing and planned projects include silo elimination assistance, officer resettlement and retraining, housing, defense conversion and energy conservation projects. Italy is also involved in the latter. Six SS-19 silos were destroyed in 1996 and 1997 with German assistance, using a water cutting technique. The Germans have also received a Ukrainian Government request for eliminating up to nine SS-24 silos using this same technique. DoD is coordinating closely with Ukrainian and German officials to optimize silo elimination efforts. The United Kingdom offered assistance to help dispose of rocket fuel, as well as retraining and medical support for the officers working with the toxic fuel. Ukraine declined the first offer, stating that it prefers to store the fuel. The Netherlands and Norway are providing medical equipment to Ukraine. Canada and Sweden are partners in the STCU, and the European Union and Japan have expressed interest in participating as well. Canadian funding also supports industrial projects, MPC&A, nuclear reactor safety, and an environmental restoration program, all of which are closely coordinated with DoD's SNAE assistance. NATO allies regularly brief each other on the progress of their projects in the Senior Politico-Military

Group on Proliferation (SGP) and in bilateral discussions. These issues have also been discussed in G-7 fora. The United States continues to work with other donor nations to ensure that security programs in Ukraine are complementary and cooperative.

U.S. DEPARTMENT OF DEFENSE (DoD) - ARCTIC MILITARY ENVIRONMENTAL COOPERATION

In 1995, the DoD began discussions with the Norwegian and Russian Ministries of Defense on Arctic military environmental cooperation (AMEC) to jointly address critical environmental issues related to these militaries' unique capabilities and activities in the Arctic region. In September 1996, U.S. Secretary of Defense Perry, Norwegian Minister of Defense Kosmo, and Russian Minister of Defense Rodionov signed a declaration launching a cooperative effort among these three military forces under the AMEC framework. The AMEC program initiated support of joint activities to ensure the safe handling and storage of radioactive materials, and proper disposal of hazardous toxic materials, and to exchange information on risk assessments and clean-up technologies and methods. All projects are focused on demonstrations of existing "off-the-shelf" technology. Program funding is provided by all three parties, with each country principally paying for its own participation. There were six initial projects to be conducted under the AMEC program: (1) the development of a prototype container for interim storage of spent nuclear fuel; (2) technology review and implementation for solid radioactive waste volume reduction; (3) review and implementation of technologies for the improvement of interim storage facilities for solid radioactive waste; (4) health training and monitoring technologies; (5) remediation of hazardous waste sites on military bases; and (6) review and implementation of clean ship technologies. In FY 1998, the three countries completed an overall program management manual and continued action on all approved projects. Each country will draw on scientists, engineers, and other Arctic professionals from within the ranks of the military and elsewhere, as needed. Within the United States, AMEC activities are part of an interagency effort with the U.S. Environmental Protection Agency and the Departments of Energy, State and Defense, with DoD serving as the lead agency for the U.S. side. Funding in FY 1997 was \$1.8 million. In FY 1998, Congress earmarked \$5 million in CTR funds to support AMEC, approximately \$3 million of which has been obligated.

U.S. DEPARTMENT OF DEFENSE (DoD) - COUNTERPROLIFERATION PROGRAMS

Under separate legislation, the U.S. Congress directed the Secretary of Defense to develop and implement, jointly with the U.S. Customs Service and the Federal Bureau of Investigation (FBI), two counterproliferation initiatives to provide training and technical assistance to NIS law enforcement, customs and border guard personnel. These two programs, the DoD/FBI Counterproliferation Program and the DoD/U.S. Customs Service Counterproliferation Program, are overseen by the National Security Council, coordinated with the State Department and implemented by the Office of the Secretary of Defense, the Defense Threat Reduction Agency (DTRA) and other agencies.

DoD/FBI Counterproliferation Program: The National Defense Authorization Act for FY 1995 (P.L. 103-337), authorized the Secretary of Defense and the Director of the FBI to develop a joint program to expand and improve U.S. Government efforts to deter, interdict and prevent the possible proliferation and acquisition of WMD by organized crime groups and individuals in the NIS. The focus of the program is on nuclear, chemical and biological weapons-related law enforcement training to prevent smuggling and trafficking. The program's workplan is divided into three elements: policy consultations and program development, training and assistance, and equipment procurement. Program plans and the first country assessments were initiated in 1996 to determine program requirements. Following training and reviews of existing assistance, some equipment may be provided to enable trained personnel to execute their responsibilities more efficiently and competently. The program has three principal objectives: (1) to assist in the establishment of a professional cadre of law enforcement personnel within participating nations who are trained and equipped to prevent, deter, and investigate crimes related to proliferation and/or diversion of WMD and related materials; (2) to assist participating nations, upon their request, in developing appropriate laws, regulations and enforcement mechanisms in accordance with international standards; and (3) to build a solid and long-lasting bureaucratic framework reinforced by political commitment that would enable participating governments to address the proliferation problem.

The U.S. Congress authorized DoD to reprogram up to \$10 million in support of this joint initiative. During FY 1997, the first year of the program's execution, \$450,000 was obligated and expended—\$280,000 for Kazakhstan

and \$170,000 for Uzbekistan. In FY 1998, the DoD/FBI Counterproliferation Program budget was \$2 million, of which \$623,000 was obligated and \$520,000 expended. Estimated expenditures were \$130,000 each for Kyrgyzstan and Georgia, \$100,000 each for Kazakhstan and Uzbekistan, and \$40,000 for Moldova.

In FY 1998, the DoD/FBI Counterproliferation Program conducted the following activities:

- Two WMD basic training seminars at the FBI's International Law Enforcement Academy (ILEA) in Budapest, Hungary, for 44 Kyrgyzstani and 28 Georgian mid-to-senior-level law enforcement officials in February and June 1998, respectively. Attendees included judges and other justice, customs, law enforcement, and national security officials.
- Two legal colloquia engaging 20 Kazakhstani and 20 Uzbekistani officials in a dialogue on legal issues related to WMD proliferation in March and April 1998, respectively.
- Policy consultations and country assessments in Georgia and Moldova.

In FY 1999, the DoD/FBI Counterproliferation Program plans to sponsor three additional WMD basic training sessions, including one for 40 Moldovan and 40 Turkmenistani officials, specialized training for law enforcement officials from two Central Asian countries, and policy consultations and country assessments for at least three new NIS countries, with the expectation of inviting them to participate in the program.

DoD/U.S. Customs Service Counterproliferation Program: The DoD/U.S. Customs Service (USCS) Counterproliferation Program was authorized in Section 1424 of the National Defense Authorization Act for FY 1997, entitled "International Border Security." Unlike the DoD/FBI Counterproliferation Program, the DoD/Customs program focuses heavily on equipment in its initial implementation. A government-to-government counterproliferation agreement must be in place between the United States and a participating nation prior to the delivery of U.S. equipment. These agreements serve as umbrella agreements for this program and future U.S. bilateral initiatives, establish proper government commitments to stop WMD proliferation and trafficking, and guarantee the legality, privileges and tax exemptions for U.S. equipment and personnel. Agreements are currently in place with Georgia, Moldova, Kazakhstan and Uzbekistan, and the U.S. Government is in various stages of negotiations with Armenia, Azerbaijan (this program is exempt from Section 907 restrictions on assistance to the Government of Azerbaijan), Kyrgyzstan and Turkmenistan. The DoD/Customs Counterproliferation Program has three objectives: (1) to assist in the establishment of a professional cadre of border enforcement personnel who are trained to detect, identify, interdict and investigate all aspects of smuggling and trafficking related to the proliferation and diversion of nuclear, biological and chemical weapons and related materials; (2) to assist in developing appropriate legislation, laws, regulations, and enforcement mechanisms; and (3) to help build a solid, long-lasting bureaucratic and political framework for counterproliferation in participating nations.

During FY 1997, \$1.7 million was obligated and expended. In FY 1998, \$2.5 million was budgeted, of which \$2.06 million was obligated and \$791,000 expended. During FY 1998, DoD and USCS achieved several program milestones, including policy discussions on program objectives in Georgia and Armenia; negotiations with eight nations to establish bilateral agreements on the legal frameworks for counterproliferation cooperation; three advanced WMD-detection training courses for officials from Kazakhstan, Uzbekistan and Kyrgyzstan that involved the first international use of the new state-of-the-art hazardous materials facility at the Hanford Nuclear Site in Washington State; and in-country training and equipment delivery to Kazakhstani customs and border guards at three sites.

In FY 1999, policy and assessment visits are planned for Azerbaijan, Moldova, Turkmenistan and Uzbekistan. Short-term WMD advisors will be placed in at least three nations. In-country basic training and associated equipment delivery will be conducted in three nations, beginning with Georgia. In addition, two advanced WMD-detection training courses will be conducted at the Hanford Nuclear Site.

U.S. DEPARTMENT OF DEFENSE (DoD) – MILITARY-TECHNICAL COOPERATIVE EFFORTS

DoD has actively pursued a number of opportunities to expand its level of military-technical cooperation with the NIS. To date, cooperative efforts have taken the form of either contractual arrangements with foreign research centers or participation in the DoD-sponsored Foreign Comparative Testing Program. However, few government-to-government collaborative research and development programs have been initiated, and no cooperative armaments programs exist between the U.S. and NIS. This is due to several factors, including stringent controls by the NIS governments on areas of cooperation and the absence of relevant government-to-government agreements. Cooperative umbrella agreements with the NIS would provide the necessary legal basis for subsequent detailed agreements on specific projects involving data exchange, sponsored work, and joint research and development. Collaborative research and development could then lead to co-production programs, acquisition and cross-servicing agreements, and memoranda of understanding (MOUs) on logistical support, as exist between the United States and its NATO allies.

Russia

The most pressing issue with Russia continues to be the negotiation of an umbrella agreement on cooperation in dual-use technologies, which DoD has been pursuing since 1994. Negotiations began in earnest in November 1997, after Russia agreed to consider a U.S. draft. Subsequent negotiations between the two sides have proceeded through meetings and exchanges of drafts in March, May and October 1998. DoD anticipates that an agreement will help build the body of law within Russia to facilitate appropriate technology transfer. On the other hand, Russia appears to intend to use the agreement to control and regulate technology transfers. A final round of discussions is planned for early March 1999, with the goal of concluding an agreement that can be addressed during the Gore Primakov Commission meeting scheduled for late March.

Two programs in America's military-technical relationship with Russia have the potential to become major, long-term cooperative efforts, while the decision regarding continuation of a third, the Russian-American Observational Satellite (RAMOS), is under review at the highest levels. The first program is the K-36 ejection seat program, which is a contender for placement in the Joint Strike Fighter. The technology within this seat will save lives by providing pilots with the capability for high-speed ejection from disabled aircraft with a high probability of landing safely and without injury. A U.S. company has been granted exclusive production and marketing rights to this Russian ejection seat, has opened a plant in Connecticut, and plans to employ over 200 Americans in the production of this seat, modified to meet U.S. specifications. A second program involves the MA-31 supersonic sea-skimming target drone, which when modified by a U.S. contractor, provides a realistic training device for the U.S. Navy and will generate approximately 50 U.S. jobs.

Other possible military-technical cooperative programs include programs on shared early warning, an advanced plasma experiment, the Automatic Ejection Seat Program (for safe, instantaneous ejection in an unrecoverable loss of aircraft control), the Express T-160 Thruster, the TMD Exercise Program, and scientific and technical research. The dollar value of these U.S.-Russian cooperative programs has been increasing, with \$310.7 million expended in FY 1998, \$401 million planned for FY 1999, and \$426.5 million planned for FY 2000. A formal DoD review of contracts and contracting practices with Russia was completed in November 1998.

Ukraine

The Ukrainian Government has continued to show interest in military-technical cooperative programs, and while there has been a delay in the signing of a master information exchange agreement (MIEA), despite three substantive negotiating sessions, the U.S. Government hopes to sign an MIEA in mid-1999. These negotiations and related discussions have resulted in a number of cooperative opportunities that bode well for increased cooperative activities in FY 1999, especially if an MIEA is signed. For example, cooperative efforts in welding technology, solid oxide fuel cells, and optical data-storage devices are just a few of the potential projects awaiting in-depth review following the signing of an MIEA. There also are projects from other sectors under way now that may lead to direct MoD-DoD cooperation in FY 1999, such as the Sea Launch Program, which proposes to use the Zenit launch vehicle of the Yuzhnoye Design Bureau, produced at the YuzhMash plant, to launch communications satellites from the Equator. At this early stage, both sides are learning the ground rules for cooperation and are looking to establish mutually beneficial security controls.

U.S. DEPARTMENT OF DEFENSE AND U.S. DEPARTMENT OF STATE - WARSAW INITIATIVE / PARTNERSHIP FOR PEACE

Overview: Initiated in 1994 by President Clinton, the Warsaw Initiative aims to help America's new democratic partners work with the United States to advance the goals of the Partnership for Peace (PFP). The Departments of State and Defense provide support under the Warsaw Initiative to facilitate participation in PFP exercises, conferences, seminars, and other events, and they provide partners with equipment and training to improve interoperability with NATO and its allies.

U.S. Department of Defense - Warsaw Initiative: DoD's Warsaw Initiative activities are designed to facilitate NIS participation in PFP activities and events. The program funds partner countries' participation in PFP exercises and DoD interoperability programs, a series of informational exchanges and studies to help PFP partner countries reform their militaries and develop closer relationships with NATO. In FY 1998, approximately \$10 million in DoD Warsaw Initiative funds was obligated to support NIS partner-country participation in over 20 PFP exercises and other activities, and just under \$3 million was used to support NIS participation in DoD interoperability programs. For FY 1999, DoD has budgeted approximately \$10 million for PFP exercises and events and \$6 million for interoperability programs.

FY 1998 Exercise Highlights

- **CENTRASBAT '98** was the second "in-the-spirit-of-PFP" (ISO PFP) peacekeeping field training exercise in Central Asia. Participants included the Central Asian Battalion (CENTRASBAT, which includes Kazakhstan, Kyrgyzstan and Uzbekistan), Azerbaijan, Georgia, Russia, Turkey and the United States.
- **Seabreeze '98** was an ISO PFP multilateral maritime exercise in the Black Sea that included amphibious, peacekeeping, humanitarian assistance/relief, and search-and-rescue operations. Participants included Ukraine, Georgia, Russia, Romania, Bulgaria, France, Turkey and the United States.
- **Combined Endeavor '98** was an ISO PFP command, control and communications interoperability field training exercise held in Germany. Participants included Ukraine, Belarus, Russia, the United States and a number of other NATO and PFP states.
- **Cooperative Osprey '98** was a NATO/PFP exercise for peacekeeping support field training held at Camp Lejeune, North Carolina. Participants practiced combined peacekeeping and humanitarian relief tactics, techniques and communication procedures at the company and platoon levels. Participants included Georgia, Ukraine, Moldova, Kazakhstan, Kyrgyzstan, Uzbekistan, Poland, the Baltics, Romania, Bulgaria, Canada, the Netherlands, and the United States.

FY 1998 DoD Interoperability Highlights

- **Partnership Information Management System (PIMS):** PIMS is a computer network system designed to link PFP partner capitals with U.S. Government facilities and the PCC in Mons, Belgium. The system enables partners to communicate directly on-line with U.S. planners at European Command (EUCOM) and Atlantic Command (ACOM). PIMS was successfully implemented in all eligible NIS countries.
- **Defense Resource Management Study (DRMS):** DRMS is an in-country program that focuses on defense planning and force structure methodologies to improve partner countries' resource management and procurement processes. Georgia and Uzbekistan participated in this program in FY 1998.
- **Defense Resources Management Institute (DRMI):** DRMI is a bilateral seminar conducted at the Naval Postgraduate School in Monterey, California. The four-week DRMI course focuses on defense budgeting and procurement issues and reviews key economic management principles. Kazakhstan participated in DRMI in FY 1998.

- **Defense Public Affairs Exchanges:** These exchanges bring partner countries' military and civilian officials to the United States to learn how to conduct open public affairs with the national press. Ukraine participated in defense public affairs exchanges in FY 1998.
- **Logistics Exchanges:** These exchanges help NIS countries gain an improved understanding of U.S. and NATO logistics doctrine, systems and operations. They consist of five-day seminars on U.S. defense logistical support for military operations, the impact of host-nation management and business practices on logistics, and logistics support of multinational operations. Ukraine participated in logistics exchanges in FY 1998.

U.S. Department of State - Warsaw Initiative: The Department of State provides Foreign Military Financing (FMF) funds through the Department of Defense to PFP partner countries for the acquisition of U.S. defense articles and services. Eight NIS countries—Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Uzbekistan, and Ukraine—received \$12.8 million in FY 1997 and \$20.45 million in FY 1998 under the FMF program. The Department of State will provide an estimated \$13 million to these countries in FY 1999. Despite initial hurdles, the NIS countries are beginning to implement their respective PFP programs. In 1997, FMF funds were used to conduct communications equipment surveys in eight countries—Moldova, Georgia, Ukraine, Turkmenistan, Kazakhstan, Uzbekistan, Kyrgyzstan and Russia—to enhance basic communications capabilities. In general, FMF funds are being used to purchase tactical communications and vehicles, English-language training equipment and publications, medical equipment, night-vision devices, computers, and specialized training, including medical, English-language and non-commissioned officer (NCO) training. Currently, the NIS countries have signed letters of offer and acceptance for the delivery of over \$7 million worth of defense articles and services, and price and availability data are currently being prepared for another \$15 million worth of articles and services.

INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)

The State Department's IMET Program is designed to foster greater respect for and understanding of the principle of civilian control of the military, to contribute to responsible defense resource management, and to improve military justice systems and procedures in accordance with internationally recognized human rights. The IMET Program, which is administered through DoD, complements other PFP activities by providing a wide range of specialized training in the United States for military officials and select civilian officials. One of the most important elements of the NIS component of IMET is English-language training for military officers. In FY 1998, the Department of State provided approximately \$4.64 million in IMET funding to the NIS and expects to provide \$4.74 million in FY 1999.

U.S. DEPARTMENT OF STATE/U.S. CUSTOMS SERVICE - GEORGIA BORDER SECURITY AND LAW ENFORCEMENT PROGRAM

In FY 1998, the U.S. Customs Service became the executive agent for a Congressionally mandated, multi-agency Border Security and Related Law Enforcement Assistance Program in Georgia, funded under the FREEDOM Support Act. This program responds to Congressional direction in the FY 1998 Foreign Operations Appropriations Act that "training and infrastructure support for customs and border control should be a high priority" for the use of funds earmarked for the Government of Georgia. The Department of State budgeted \$17.8 million in FY 1998 funds for the Georgia Border Security and Law Enforcement Program, and designated the U.S. Customs Service (USCS) as the executive agent for this program. USCS works closely with the Departments of State, Justice, Defense and Energy, as well as with the U.S. Coast Guard, in implementing this program. USCS has developed and is implementing a focused, multi-year program of assistance to enhance Georgia's border security and customs capabilities. This program is designed to help the Georgian Border Guards and Customs Service gain and maintain control over Georgia's borders as Russian border guards pull out. Specific goals include the following: (1) to help Georgia gain control of its seacoast, particularly the Port of Poti; (2) to establish a transparent land-border regime, with an initial focus on the boundaries with Armenia and Azerbaijan, and then with Turkey; and (3) to enhance Georgia's capacity to prevent, deter and detect potential WMD smuggling, focusing on the border with Russia.

In FY 1998, USCS placed a retired USCS agent and a U.S. Coast Guard official in Georgia to serve as team leader and maritime advisor, respectively. They were joined by a border patrol advisor in late 1998. This team of U.S. advisors interacts with the Georgian Border Guards (GBG) and Customs Service on a daily basis, maintaining close contact with the U.S. Embassy in Tbilisi and key Georgian Government officials to ensure that the program meets both Georgian and U.S. objectives. The program has conducted the following activities:

- the completion of a C3I system assessment and efforts to develop a request for proposal for Phase I of the resulting program;
- the start of construction of modular barracks at Poti and Red Bridge;
- the purchase of 16 vehicles for GBG and Customs Service;
- the delivery of a 40-foot patrol boat to Poti for GBG/Coast Guard use, with the delivery of a second boat planned for February 1999;
- the delivery of a tug boat to Poti for law enforcement, refueling and resupply, salvage, fire-fighting, and search-and-rescue missions;
- the evaluation and initiation of repairs for existing ships and cutters;
- the purchase of fuel for Coast Guard operations;
- the purchase of a twin-engine patrol aircraft for the GBG for long-range patrols over water;
- the purchase of an MI-8MTV helicopter for rigorous mountain border security operations;
- the procurement and delivery of radiation pagers, bulletproof vests, night-vision goggles, flashlights, handcuffs and other basic law enforcement equipment;
- the procurement of uniforms for GBG; and
- the initiation of technical exchanges and U.S.-sponsored training programs for GBG and the Customs Service.

Activities planned for FY 1999 include the accelerated fielding of radar and acoustical sensors for Supsa; the construction of an operations center, fuel storage facility, and a dredging project at Poti; the construction of a GBG operations center at Red Bridge; the renovation of a GBG academy/training center; the procurement of a second helicopter, a second patrol aircraft, additional vessels for the Coast Guard fleet, and equipment for a forensics lab; the development of a curriculum for the GBG Academy; increased training for the Coast Guard in the operation of the new vessels; and the procurement of X-ray machines, forklifts, and miscellaneous law enforcement equipment.

U.S. DEPARTMENT OF STATE - SCIENCE CENTERS

The Science Centers nonproliferation program is implemented through two intergovernmental organizations: the International Science and Technology Center (ISTC) in Moscow, which was established by agreement in November 1992, and the Science and Technology Center in Ukraine (STCU) in Kiev, which was established by agreement in October 1994. The program's primary objective is to provide peaceful research opportunities to qualified NIS scientists and engineers who are experts in weapons of mass destruction (nuclear, biological, and chemical) and delivery systems. This multilateral program complements other bilateral efforts and has successfully leveraged significant financial resources from the European Union, Japan and other contributors. Since 1994, the Science Centers have funded over 700 projects involving more than 24,000 scientists.

Although the end of the Cold War reduced the threat to international security posed by possible superpower confrontation, the breakup of the Soviet Union led to severe economic and social destabilization in the elite research institutes devoted to the development of weapons of mass destruction (WMD) and their delivery systems. The potential proliferation of these technologies represents one of the most serious threats to international peace and stability faced by the international community today. To deter proliferation, the governments of the United States, Canada, Sweden, Japan, Russia, Ukraine and the European Union established the ISTC and STCU to help NIS institutes adapt to the post-Cold War environment. The financial crisis that shook much of the world in 1998 further magnified the difficulties faced by the former Soviet states, especially Russia and Ukraine. Close monitoring of the Russian financial crisis and rapid responses to developing situations in August 1998, ensured that U.S. and other funds provided to the Science Centers were not put at risk. The Science Centers have five objectives: (1) to provide NIS weapons scientists an opportunity to redirect their talents to peaceful activities; (2) to support basic and applied research and technology development; (3) to facilitate the transition to market-based economies; (4) to help integrate NIS scientists and engineers into the global scientific community; and (5) to contribute to solving national and international technical problems.

Partners Program: Since the end of 1997, the Partners Program has allowed both Science Centers to include private industry, foundations, academic and scientific institutions and other inter-governmental and non-governmental organizations in their activities. Partners can direct their own research and development (R&D) funds to specific projects or programs of work in former Soviet weapons institutes, in accordance with the objectives listed above. In particular, this expanded participation enhances the ability of the Science Centers to support the transition to market economies and redirect industrial-technical potential from military to peaceful endeavors. Use of the Science Centers as a vehicle for developing partnerships offers unique advantages to private industry and other interested organizations:

- NIS research institutes employ some of the best scientists and engineers in the world, many of whom are engaged in research projects with rich commercial potential;
- Potential investors need help in identifying these scientists and centers of excellence in research;
- The Science Centers process direct, tax-free payment of grants to participating NIS scientists and have access to project facilities for international auditing and technical monitoring;
- Legally binding project agreements stipulate the rights and responsibilities of all parties;
- Official host-country concurrence for all Science Center projects ensures support from governmental agencies;
- Science Center in-country infrastructure facilitates smooth operation in challenging environments; and
- Partner-funded projects undergo an expedited review and approval process.

Current Science Center Partners: In 1998, Science Center Partners funded approximately \$6 million (not including five-percent administrative fees) in ISTC and STCU projects in a range of science and technology fields. New U.S. Science Center Partners in 1998 included the Battelle Memorial Institute, the Consortium for Plasma Science, FED Corporation, General Electric Company, Global Partner Ventures, Growth and Development

Corporation, Inc., Interactive Pictures Corporation, Lawrence Livermore National Laboratory, Lockheed Martin Idaho Technology Company, Los Alamos National Laboratory, Mobil Technology Company, Procter and Gamble Company, Southern Research Institute and VEECO. In addition, a growing number of U.S. Government agencies have chosen to use the Science Center Partner mechanism to fund R&D support for their own programs, including the Defense Advanced Research Projects Agency (DARPA), the Defense Threat Reduction Agency (DTRA), the National Cancer Institute, the U.S. Department of Energy (DOE), the U.S. Department of Agriculture (USDA) and the Defense Department's Cooperative Threat Reduction (CTR) Program. The Science Centers provide tax and customs exemptions, direct grants payments to scientists, and auditing regimes to all U.S. Government programs working under the Centers' umbrella.

New Biotechnology Initiative: The possibility that former Soviet biological weapons (BW) facilities could contribute, directly or indirectly, to bio-terrorism or attempts to build biological weapons programs, is of concern not only to the United States, but also to many other countries. The U.S. Government funds a number of programs designed to counter this possible threat. The Science Centers Program was the first to establish a foothold in the key civilian institutes that were part of the former Soviet biological weapons program. During 1998, a concerted U.S. Government interagency effort was mounted to expand the range of projects and activities that engage these institutes. Russian institutes are the primary focus of this initiative, since they house the majority of these facilities. New projects, including a biotechnology project development grant program and other activities, were inaugurated in 1998. In addition to serving a clear nonproliferation need, the redirection of these facilities to constructive civilian activities supports a number of goals, including improved public health; the integration of previously isolated weapons specialists into the broader international community; and the development of technological and commercial potential. Consistent with the U.S. Government's nonproliferation policy, the objective of these activities is to provide support and promote cooperation in meaningful civilian scientific, research and commercial projects to prevent the flow of expertise and technology to countries or organizations of proliferation concern. Facilities and government officials in countries where the United States pursues such engagement understand that cooperation with countries of concern or terrorist entities, or any behavior inconsistent with the Biological and Toxin Weapons Convention (BWC), would have an immediate and negative impact on any U.S. cooperation. The U.S. Government places a great importance on involving multilateral partners in this effort, particularly the European Union and Japan, through the ISTC.

International Science and Technology Center (ISTC)

Overview: Since beginning operations in March 1994, the ISTC has provided over \$190 million to fund 651 projects employing thousands of scientists and engineers at hundreds of NIS scientific institutes. These institutes also contribute to projects with in-kind contributions of personnel and facilities and payment of payroll tax and other overhead. Science Center projects cover a broad range of science and technology areas, many of which address problems of global importance. These projects include radiation monitoring of the environment; improved safety for nuclear reactors; improved methods of nuclear waste management; vaccines for bacterial and viral diseases; treatment of heart disease, cancer and other illness; improvements in civil aviation; and advanced concepts for future energy production. The ISTC's activities are managed by an international staff based in Moscow, with branch offices in Armenia, Belarus and Kazakhstan.

Funding/Support: In 1998, the European Union, Japan, Norway, and the United States contributed over \$33 million to 148 projects and \$2.3 million to the administrative budget for 1998. The Republic of South Korea began funding projects as a new party to the ISTC Agreement in late 1998. ISTC Partner contributions continue to represent a significant and growing new source of funding for the ISTC. (For a detailed accounting of actual expenditures for FY 1998, please refer to the Auditor's Statement in the ISTC 1998 Annual Report Supplement.)

Proposals: The ISTC Secretariat receives approximately 40 proposals for new projects each month from scientists and engineers working throughout the NIS countries. Each project submitted for ISTC consideration is accompanied by the written concurrence of the state(s) in which the work is to be carried out. When received, project proposals are assigned to ISTC Senior Project Managers who work with the project leaders to ensure that the proposals meet ISTC guidelines. If the project is selected for funding, the Senior Project Manager will continue to monitor the project through to its completion.

Awards: Completed proposals are forwarded to the ISTC Parties for funding consideration. Funding decisions are made three times per year during meetings of the ISTC Governing Board, or action may be taken exceptionally between Board meetings by written procedure. Individual projects are funded either entirely by one Party or Partner or by a combination of interested Parties. The Parties make their funding decisions based on a combination of selection criteria, including technical merit, relevance to ISTC objectives, and policy and budgetary priorities.

Project Monitoring and Auditing: Funded projects are subject to a binding project agreement that governs the basis on which funds and equipment are provided directly to the project leaders and participants. While work is in progress, ISTC Senior Project Managers, along with technical experts designated by the funding Parties, carry out both regular and periodic monitoring activities that include visits to the project site and consultation during scientific meetings. Annual financial audits of each funded project are carried out by either ISTC auditors or auditors appointed by financing Parties. In 1998, approximately 200 technical monitoring trips were conducted and 263 financial audits were made on 123 ISTC projects, including 112 final and 11 annual audits. In addition, the U.S. Government, through the Defense Contract Audit Agency, conducts audits on a number of U.S.-funded projects each year.

ISTC Seminar Program: In 1994, the ISTC Seminar Program began promoting exchanges and collaboration in a wide range of research fields between former weapons developers in the NIS and their counterparts around the world. Since then, the ISTC has organized 15 seminars, three of which were held in 1998 (two in Russia and one in Kyrgyzstan).

ISTC Business Management Training Program: As more ISTC-funded projects reach their final stages, it is becoming apparent that much of the technology developed has substantial commercial applications and could facilitate the NIS countries' transitions to market economies. The ISTC established the Business Management Training Program (BMT) in March 1997 to help former weapons scientists promote the results of their ISTC work in international technology markets. The program consists of training courses ranging in duration from two days to two weeks on basic business planning, management principles and intellectual property rights (IPR). Each course is offered to 15 to 30 participants at locations where ISTC projects are under way. In 1998, 88 scientists and specialists representing 79 ISTC projects from 57 institutes participated in three regional courses held in Almaty, Kazakhstan, and Novosibirsk and St. Petersburg in Russia. In addition, an IPR and business planning workshop was given for the ISTC Secretariat staff, an IPR training manual was published, and creation of a business planning training manual was begun.

ISTC Project Development Grants Program: The goal of this program is to assist NIS weapons specialists in engaging foreign partners on research projects and securing input on project proposal development. Through the ISTC, applicants are granted funds to attend international conferences and/or visit foreign institutes and laboratories to present their project proposals and research plans. Recipients of project development grants often have a better chance of receiving ISTC funding for their proposals as a result of this type of collaboration and feedback.

ISTC Promising Research Abstracts Database: In 1998, the ISTC made publicly available a database of promising research either planned or currently under way in scientific institutes throughout the NIS. The purpose of the database is to provide an overview of unique research and its potential applications for a wide audience in the NIS and around the world. The database helps integrate NIS weapons specialists into the international scientific community and assist in transitions to market economies by promoting unique research activities with possible commercial applications to potential investors. The database, which contains hundreds of abstracts, is available at the ISTC website (www.istc.ru), as well as on CD-ROM.

ISTC Patent Support Program: The ISTC provides financial support to project grant recipients to cover costs in the initial stages of obtaining patents for their work. The long-term goal of this effort is to facilitate national and international patenting for inventions developed by ISTC project grantees. In 1998, Russian and/or PCT patent applications were filed for 15 projects.

Science and Technology Center in Ukraine (STCU)

The Science and Technology Center in Ukraine (STCU) was established in 1995, under an international agreement among the United States, Canada, Sweden and Ukraine. In FY 1998, the STCU completed its third year of operation at its headquarters in Kiev. The STCU also manages three branch offices in major Ukrainian research complexes in Kharkiv, Dnipropetrovsk and Lviv, thereby facilitating participation in the STCU by a broader range of the former Soviet weapons research establishment in Ukraine. In FY 1998, the STCU had funded 170 projects across Ukraine, valued at \$22 million and employing over 3,400 former Soviet weapons scientists, plus substantial numbers of other technical and support personnel. The STCU also runs a range of activities similar to those managed by the ISTC, including a Partner Program that brings in additional funding from the private sector and other sources. The STCU's membership expanded in FY 1998 with the European Union's (EU) accession to the STCU agreement (the EU attended its first Governing Board meeting and planned to fund its first projects in December 1998) and financial contributions by Japan to a number of STCU projects. The STCU's NIS membership also grew in FY 1998 with the formal accession of Georgia and Uzbekistan.

CIVILIAN RESEARCH AND DEVELOPMENT FOUNDATION (CRDF)

The Civilian Research and Development Foundation (CRDF) funds U.S.-NIS collaboration on civilian basic and applied research conducted in the NIS in order to redirect efforts of former defense scientists toward peaceful purposes and to promote the development of market economies. CRDF is a non-governmental, non-profit foundation that was established in August 1995 by the National Science Foundation with an initial DoD-CTR grant of \$5 million, matched by a \$5 million grant from the Soros Foundation. It has also attracted funds from the NIS (\$2.4 million) and American industry (approximately \$1 million), and its accomplishments are regularly highlighted during meetings of the U.S.-Russian Joint Commission on Economic Cooperation. Funding for the CRDF's activities shifted to the Department of State under the FREEDOM Support Act in FY 1996.

The CRDF received \$1.8 million in FY 1998, including \$1.6 million from the Department of State (under the FREEDOM Support Act) and \$200,000 from the National Institutes of Health (NIH). All funds received by the CRDF have been committed to its current awards, except for about \$310,000 for its "Next Steps to the Market" Program, which provides further support to CRDF projects that have a potential for marketplace applications. Next Steps awardees may request additional funds for the next logical and reasonable step in taking their technology to the marketplace, and U.S.-NIS partners may apply for support to determine whether their collaboration could lead to a commercial venture. These projects are pre-competitive and consistent with the CRDF's overall objectives, and should help reduce the risk associated with the early stages of international collaboration.

The CRDF has made over 300 awards for research collaboration, involving more than 2,000 NIS and 400 American scientists. Of the NIS researchers, 264 were weapons or former weapons scientists, 154 had knowledge and experience with WMD, and 113 worked on other defense technologies. In each case, the researchers in question—including those at the nuclear facilities at Sarov and Snezhinsk—agreed to perform only civilian work while receiving support from the CRDF. In addition, the CRDF supported first-time visits to the United States by over 190 non-Russian NIS researchers seeking U.S. partners, and some of these exchanges led to Next Steps program proposals.

Country Highlights

Armenia: With support from USAID, the CRDF provided assistance to develop an indigenous capacity for funding science on a competitive merit basis. In support of this objective, the CRDF sponsored a joint competition in applied chemical and biological sciences—fields identified by the Armenians as priorities—with the newly established National Foundation for Advanced Science and Technology (NFAST). The CRDF contributed program management training, office equipment and other material support to help launch the NFAST.

Kazakhstan: The CRDF supports three Kazakhstani research groups that involve scientists from the former biological weapons facility at Stepnogorsk, and will fund a Regional Experimental Research Center at the Physical

Technical Institute near Almaty to house important analytical instrumentation. The CRDF will purchase the center's equipment and has arranged for its tax- and customs-free entry into the country.

Russia: The CRDF was asked by the National Science Foundation and the Russian Foundation for Basic Researchers (RFBR) to administer a special program enabling young researchers to participate in existing CRDF cooperative research projects. An NSF award of almost \$500,000 will cover the U.S. costs of this activity, while the RFBR will cover Russian costs. In addition, CRDF will support seven projects in Russia under the Next Steps to Market Program, including the establishment of Russian business incubators for three of the projects to establish business plans. The CRDF will devote almost \$800,000 to this effort, while private-sector contributions total almost \$500,000. An American partner is involved in each project.

Ukraine: A Small Business Research and Development (R&D) Program was initiated during FY 1998. Under the program, 10 Ukrainian researchers came to the United States to work with American commercial partners on project proposals, which were prepared for submission at the end of 1998 and should be awarded by mid-March 1999.

Uzbekistan: The CRDF conducted a workshop on technology management in Tashkent in March 1998 that focused on the Western technology commercialization process.

NIS Regional: With funding from the U.S. Department of Commerce, the CRDF will support three workshops on commercialization of R&D for NIS participants. The workshops will be held in Kiev (for Ukraine and Moldova), Yerevan (for the Caucasus) and Tashkent (for Central Asia). At the conclusion of their training, participants will travel to the United States to meet with American companies to discuss their technologies.

U.S. DEPARTMENT OF STATE – SCIENCE COLLABORATION/REDIRECTION OF BIOTECHNICAL ACTIVITIES (USDA/HHS)

In FY 1998, the Department of State initiated a pilot project aimed at redirecting scientists in former Soviet biological weapons(BW)-related facilities to civilian commercial, agricultural and public health activities. These efforts support the broad U.S. policy goals of integrating NIS scientists into the international scientific community, addressing urgent public-health needs and reducing risks of proliferation of weapons expertise. The economic crisis in Russia increased the need to address possible proliferation risks from these facilities and scientists. A number of agencies are involved in this program, including the Departments of State, Agriculture (USDA) and Health and Human Services (DHHS). These agencies undertake activities through the International Science and Technology Center (ISTC), which can leverage multilateral funding as well.

USDA Agricultural Research Service (ARS) - Biotechnology Science Collaboration: USDA's program, initiated in 1998 with \$550,000 in FREEDOM Support Act funds, draws on its capabilities in animal and plant pathogens and its network of Agricultural Research Service (ARS) laboratories and related facilities to establish agricultural research collaboration with Russian institutes. The ARS program, which advances basic and applied research in agriculture, funded some three projects in its first year at facilities in Russia. A key feature of the ARS program is substantial contact between ARS and Russian scientists to optimize the collaboration at the scientist level and share the success between the U.S. and Russian laboratories. Funding also supports short, medium and long-term exchange visits of Russian scientists with ARS counterparts in the U.S. and exchange visits of ARS scientists to Russia.

U.S. Department of Health and Human Services (HHS) - Biotechnology Science Collaboration: In FY 1998, HHS developed a new multi-year pilot program of biotechnology assistance. Through the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA) and the National Institutes of Health (NIH), HHS will work with Russian and other NIS biotechnology scientists to better understand and control infectious diseases. Funds will support public-health-related infectious disease research projects and training in HHS labs on topics including good laboratory, manufacturing, and clinical practices and emergency response to biological hazards. These efforts will be coordinated as part of the broader U.S. Government-funded program of engagement of former Soviet biotechnical scientists. The program also will be integrated with other public health assistance efforts involving the Russian Ministry of Health, Academy of Medical Sciences, and other NIS medical

institutions. The HHS program also supports the broad U.S. policy goals of integrating NIS scientists into the international scientific community, addressing areas of urgent public health needs in the NIS and reducing the risk of proliferation of weapons of mass destruction expertise.

The USDA and HHS programs will significantly increase the number of collaborative research projects; support short, medium and long-term scientist exchanges; increase business training opportunities; and aid in design and reconstruction of facilities to meet international standards necessary to allow participation in international public health research. Funds may also be used to initiate indigenous production of high-demand vaccines and support possible use of unique Russian facilities for first-responder emergency response training. These activities are coordinated with DoD's CTR BW dismantlement and infrastructure elimination activities.

U.S. DEPARTMENT OF STATE - EXPORT CONTROL ASSISTANCE

Helping the NIS develop effective export control systems and capabilities is a critical element of U.S. Government efforts to prevent, deter or detect potential proliferation of weapons of mass destruction and weapons materials. The objective of U.S. Government export control assistance is to help build export control institutions, infrastructure, and legislation in the NIS to help prevent weapons proliferation. Initially under the DoD Cooperative Threat Reduction (CTR) program, the U.S. Government provided approximately \$39 million in export control assistance to Russia, Ukraine, Kazakhstan and Belarus through FY 1995, with the Departments of Commerce, Energy, State and Treasury (Customs Service) as the primary implementing agencies. In FY 1996, funding responsibility for export control assistance shifted to the Department of State under the Nonproliferation and Disarmament Fund (NDF). State Department funding for export control assistance became a separate budget line-item in FY 1998 under the Non-proliferation, Anti-terrorism, Demining and Related Activities (NADR) appropriation. The Department of State provides policy direction and coordinates all agencies providing export control assistance.

Nonproliferation and Disarmament Fund (NDF): The NDF provides resources to support bilateral and multilateral nonproliferation disarmament efforts to prevent, deter or detect potential proliferation of WMD, WMD components and delivery systems pursuant to Section 504 of the FREEDOM Support Act of 1992. In FY 1998, five NDF-funded projects totaling \$4.925 million included assistance to Russia, Kazakhstan, Azerbaijan, Armenia, Kyrgyzstan, Moldova and Uzbekistan. An additional NDF-funded training program valued at \$1 million will extend assistance to several, if not all, of the NIS upon its implementation. Highlights from NDF export control activities in FY 1998 include the following:

- Approval of the Tracker automated licensing system for Kazakhstan. The Tracker system permits countries to track (in real-time) exports of proliferation concern and to consult electronically with other government ministries and with foreign governments. It provides the foundation for the eventual establishment of a global network for information about items of proliferation concern. A training program for Tracker was also developed in FY 1998 for approved NIS countries.
- The X-Ray Detection Van Program was approved for expansion to Armenia, Azerbaijan, Kyrgyzstan, Moldova and Uzbekistan to improve their border enforcement capabilities. Prior to FY 1998, the Detection Van program was approved for Kazakhstan.
- An enforcement program and a legal workshop were developed to train Azerbaijani officials on how to detect or stop WMD exports.
- A project to secure nuclear materials was approved for Kazakhstan.
- Once implemented, NDF-funded WMD training at the Hammer facility in Richland, Washington, will include representatives from several, if not all, of the NIS.
- An ongoing project involving plutonium conversion is underway in Russia. FY 1997 NDF funds in the amount of \$2.85 million were approved for activities in support of an automated non-destructive assay system in Russia.

Nonproliferation, Anti-Terrorism, Demining and Related Activities (NADR): In FY 1998, export control assistance provided from the NADR account focused on helping the NIS, and countries along potential transit routes for the smuggling of WMD and related material to potential proliferators, to develop effective export control regimes. Assistance is designed to help recipients establish the necessary legal and regulatory basis for effective export controls; improve licensing procedures and practices; coordinate, train and equip export enforcement agencies, including border enforcement authorities; develop and install automated information systems for licensing and enforcement; and foster effective interaction between government and industry on export controls. The FY 1998 NADR appropriation of \$3 million was obligated for the following projects involving the NIS:

- the fourth annual Symposium for Foreign Export Control Officials, which brought together representatives of 16 countries from the NIS, the Baltics, and Eastern Europe to build a basis for export control enforcement cooperation (\$250,000);
- the purchase of three large X-ray vans equipped with radiation detectors for the Russian Customs Service (\$900,000); and
- export control and nonproliferation training for officials from 22 countries, including representatives from the NIS, the Baltics, Eastern Europe, the Middle East and East Asia, on establishing and administering effective export control regimes (\$1.5 million).

U.S. DEPARTMENT OF ENERGY - NUCLEAR MATERIALS PROTECTION, CONTROL AND ACCOUNTING (MPC&A)

Overview: Since 1993, the United States and the NIS have engaged in an historic partnership to prevent the theft or loss of nuclear material that is not in weapons form. This joint effort to improve nuclear material protection, control and accounting (MPC&A) directly addresses a key threat to the security of the entire global community. MPC&A improvements, designed to keep nuclear materials secured in the facilities that are authorized to contain them, are the first line of defense against nuclear smuggling that could lead to nuclear proliferation or nuclear terrorism.

The objective of the MPC&A program is to complete rapid upgrades at all NIS facilities that use or store weapons-usable material. The program seeks to foster the development of an indigenous safeguards culture and capability to maintain long-term MPC&A upgrades. In addition, other cooperative projects and a wide range of training programs are designed to help institute national MPC&A standards and strengthen NIS national nuclear regulatory systems. To rapidly improve the security of nuclear materials that are usable in nuclear weapons, DOE is providing nuclear facilities in the NIS with modern safeguards equipment, including radiation monitors for pedestrian and vehicular traffic to detect attempts to remove nuclear material, modern access-control devices for areas containing nuclear material, alarm stations and computers to process data coming from sensors installed inside facilities and around their perimeters, and tamper-indicating devices to prevent unauthorized removal of nuclear material. This vital cooperation has overcome many difficulties, including tensions from the forty-year-old legacy of Cold War confrontation, a lack of working relationships at the technical level, the closed nature of nuclear facilities, and language and cultural differences. It is truly a remarkable achievement that former rivals are now working together to improve the security of nuclear materials at over 50 sites in the NIS.

From FY 1993 to FY 1995, MPC&A activities were managed and executed by DOE with a total of \$78.5 million in funding under DoD's Cooperative Threat Reduction (CTR) Program. In addition, DOE initiated a direct \$2 million program to support MPC&A activities. These efforts have grown significantly over the past six years. In FY 1996, the U.S. Congress provided DOE a direct appropriation of \$70 million for MPC&A activities, followed by \$112 million in FY 1997 and \$137 million in FY 1998. In addition, DOE received an additional \$15 million from FY 1996 CTR funds. Total U.S. Government MPC&A funding from FY 1992 through FY 1998 is about \$414 million. Significant developments in the MPC&A program during FY 1998 include the following:

Railcar Transportation Security Projects: The purpose of this effort is to perform rapid security upgrades on railcars that transport nuclear materials not in weapons form. DOE delivered one upgraded prototype railcar each

to the Mayak Production Association and the Siberian Chemical Combine. Ongoing work to upgrade more than 30 existing railcars is scheduled for completion by March 1999.

Truck Transportation Security Project: Under this project, DOE upgraded truck sets (both transport and escort vehicles) utilized in the intra-site and inter-site transport of special nuclear materials by modifying the vehicles to prevent unauthorized access to special nuclear material. DOE delivered an upgraded truck to the Siberian Chemical Combine and completed truck set upgrades for the Russian Navy's Northern Fleet. Upgrades of truck sets for the Russian Navy's Pacific Fleet are in progress.

Major NIS Operational Upgrades Completed: DOE fully completed an additional 13 operational upgrades, bringing the total to 19 site-wide upgrades. Upgrades were completed at the Institute of Nuclear Physics in Tbilisi, Georgia (October 1997); the Institute of Nuclear Power Engineering in Minsk, Belarus (October 1997); the Joint Institute of Nuclear Research in Dubna, Russia (February 1998); the Moscow Research and Development Institute of Power Engineering (February 1998); the Moscow Institute of Theoretical and Experimental Physics (February 1998); the Karpov Institute of Physical Chemistry in Russia (February 1998); the Khlopin Radium Institute in Russia (April 1998); the Sverdlovsk Branch of Scientific Research Design Institute of Power Technology in Russia (May 1998); the Belayarsk Nuclear Power Plant in Russia (May 1998); the Chelyabinsk-70 Pulse Research Reactor Facility in Russia (May 1998); the Moscow State Engineering Physics Institute (June 1998); and the Tomsk Polytechnic University in Russia (July 1998).

- **Ongoing Upgrades in Russia:** Upgrades are under way at the Naval Fuels Building of the Kurchatov Institute; site-wide upgrades are under way at Arzamas-16 (the All-Russian Scientific Research Institute of Experimental Physics in Sarov) and Chelyabinsk-70 (the All-Russian Scientific Research Institute of Technical Physics in Snezhinsk); security upgrades are under way at the RT-1 plant's perimeter and two plutonium oxide storage buildings at Mayak; the installation of detectors, physical protection, radio communications and central alarm stations is under way at Tomsk-7 (the Siberian Chemical Kombinat in Seversk), Krasnoyarsk-45 (an electrochemical plant in Zheleznogorsk) and Sverdlovsk-44 (an electrochemical kombinat in Novouralsk); the installation of special nuclear material portal monitors and metal detectors is under way at Novosibirsk; upgrades are under way at Dmitrovgrad and Luch; and consolidation of direct-use material is under way at Luch.
- **Ongoing Upgrades in Kazakhstan:** New MPC&A site-wide systems are currently being installed at the Aktau BN-350 breeder reactor and the Almaty research reactor, and should be commissioned in the next six months.
- **Ongoing Upgrades in Ukraine:** New MPC&A site-wide systems are currently being installed at the Kharkiv Institute for Physics and Technology, the Sevastopol Naval Institute, and the South Ukraine Nuclear Power Plant. Commissioning ceremonies for the three are expected to occur in early 1999.
- **Major Upgrades at Russian Navy/Icebreaker Fleets:** The Site 49 Annex outfitting is nearly complete and was doubled in size in May 1998, and the Site 34 design and expansion contract was put in place in May 1998. Implementation contracts are in place and well underway for the Imandra refueling ship and Atomflot Port.

MPC&A Training: A second class of 12 students started studies in September 1998 at the Moscow State Engineering Physics Institute (MEPHI). Nine students from the first class of the MPC&A master's degree program have completed all classroom instruction and are preparing theses for completion in spring 1999.

DOE Cooperation with the Russian Ministry of Internal Affairs (MVD): A memorandum of cooperation between DOE and the Main Command of the MVD's Internal Troops—the first of its kind—was signed on July 24, 1998, and is designed to enhance the effectiveness of physical protection of nuclear material stored at MPC&A locations in Russia by training MVD troops in the operation of modern physical protection systems. With the signing of this memorandum, the MVD and DOE entered a new phase of cooperation that includes infrastructure, equipment, communication capabilities and training. The first cooperative activity was a fall 1998 workshop in Russia attended by MVD and DOE technical experts.

Expanded DOE Cooperation with Serial Production Enterprises: In January 1998, DOE signed a protocol to expand cooperation with the four serial production enterprises in Russia. This protocol allows the MPC&A program to install security upgrades at Russian weapons assembly/disassembly sites, including the Avangard Electrochemical Plant in Sarov, the Penza-19 Production Association in Zarechny, the Zlatoust-36 Instrument Building Plant in Trekhgorny, and the Sverdlovsk-45 Urals Electrochemical Instrument Combine in Lesnoy.

Expanded Cooperative Work with the Russian Navy: On December 12, 1997, DOE signed a protocol to expand cooperative work at all identified Russian Navy sites. This protocol will expand the security upgrades to cover all of the Russian Navy's fresh fuel by the year 2000.

Expanded Cooperation at the All-Russian Scientific Research Institute of Technical Physics (VNIITF): Since July 1998, site officials have demonstrated more openness in discussions on material amounts and locations, leading to more cooperative work at the site, which was formerly known as Chelyabinsk-70.

Export Controls: The U.S. Department of Commerce granted DOE's MPC&A program an export license in November 1997, permitting the pre-approved export of 1,000 different pieces of equipment.

Cooperation with GosAtomNadzor (GAN): DOE continued to cooperate with GAN, the Russian Nuclear Regulatory Agency, to develop MPC&A program procedures in accordance with Russian federal and GAN-level rules and regulations, and licensing and inspection practices. DOE completed work on MC&A licensing requirements, an item facilities manual, an item facilities inspection program and regulations on physical protection inspections. In addition, in September 1998 meetings, DOE and GAN discussed three additional sites for cooperation that are now under consideration.

DOE-MinAtom MPC&A Agreement: DOE has been negotiating with MinAtom to update and replace the U.S. Department of Defense-MinAtom MPC&A Agreement that expired in September 1998.

U.S. DEPARTMENT OF ENERGY - FISSILE MATERIALS DISPOSITION PROGRAM

The DOE Fissile Materials Disposition (MD) program has both a U.S. and a Russian component. Both efforts focus on the disposition of surplus plutonium that is no longer required for defense purposes. In the United States, DOE is implementing a hybrid plutonium disposition strategy involving the burning of surplus plutonium as mixed oxide (MOX) fuel in existing, domestic commercial reactors; and the immobilization of surplus plutonium in ceramic material that is surrounded by vitrified high-level waste. Both technologies meet the spent-fuel standard under which plutonium is rendered as inaccessible and unattractive for retrieval and weapons use as the residual plutonium in spent fuel from commercial reactors. The program's work with Russia is aimed at attaining reciprocal Russian strategies, actions and outcomes for the disposition of Russia's excess plutonium.

In FY 1995 and FY 1996, the MD program spent approximately \$3.9 million for activities related to plutonium disposition in Russia, including a number of technical exchanges, as well as a joint U.S.-Russian study of technical options for plutonium disposition. In both FY 1997 and FY 1998, the U.S. Congress provided \$10 million to fund a series of U.S.-Russian small-scale tests and demonstrations of plutonium disposition technologies. Major activities under way in FY 1998 included the following:

Fabrication of MOX Fuel for Thermal Reactors: The purpose of this activity is to assist and encourage Russia to develop a MOX fuel fabrication process that is compatible with surplus weapons-grade plutonium, test the resulting fuel, and qualify it for use in a VVER-1000 water reactor. Final fabrication and use of the fuel is subject to approval by GosAtomNadzor (GAN), Russia's nuclear regulatory authority, which will license the use of MOX. RosEnergoAtom, the Russian utility that operates nuclear power reactors, also is involved in the effort as the ultimate user of the MOX fuel.

Validating the Performance of MOX-Fueled Nuclear Reactors: VVER-1000 water reactors in Russia are currently fueled with uranium. Considerable work is required to ensure that they can be fueled with mixed plutonium oxide and uranium oxide fuel. The first stage of this effort involves computer feasibility studies. This

joint U.S.-Russian project is aimed at verifying and updating computer codes used to predict the behavior of MOX fuel in VVER-1000 reactors. Studies for presentation to GAN for licensing approval are under way.

Converting the Russian Fast Neutron Reactor to a Plutonium Burner: DOE is helping Russia assess the feasibility of converting Russia's BN-600 reactor, a fast-neutron reactor, into a net burner of plutonium. The BN-600 currently operates a fuel cycle that consumes uranium and produces some plutonium. Preliminary estimates indicate that the reactor could be modified to burn MOX fuel, perhaps even utilizing a full MOX core. DOE-supported Russian design studies, safety analyses, and an economic analysis are currently under way.

Plutonium Conversion Technology and Plutonium Disposition: The objective of this work is to design and build a facility for converting weapons-origin plutonium metal into an oxide form suitable for use in MOX fuel and for international inspection. The conversion facility will have an initial capacity of two metric tons per year of metal, increasable to five metric tons per year through expansion of facilities and the utilization of additional reactors. Current work is aimed at selecting a conversion technology and a site. Additional tests and analyses have been initiated that will lead to the design of a nondestructive assay system for the oxide produced. Parallel efforts are under way to negotiate and implement a bilateral agreement with the Russian Federation on the disposition of weapons-usable plutonium no longer needed for defense purposes (approximately 50 metric tons in both the United States and Russia) and conversion to forms unusable for nuclear weapons. This agreement, which the Administration hopes to have in place in early 1999, will fulfill commitments made by the U.S. and Russian Presidents at the September 1998 Moscow Summit. It is anticipated that this agreement will specify the technological approaches to be followed by each country, the types of facilities to be constructed in Russia, and commitments with respect to the financing of these activities in Russia. The Plutonium Disposition Initiative received strong Congressional endorsement in the form of a \$200 million FY 1999 supplemental appropriation. Release of this funding is dependent on finalization of the bilateral agreement, which should give an added impetus to the ongoing negotiations. DOE hopes to use this funding in the FY 1999-2001 timeframe to initiate design, licensing and equipment procurement for plutonium disposition facilities in Russia. The \$200 million will not fund the entire Russian plutonium disposition program, which is expected to cost in excess of \$1 billion, but will provide a much-needed "jump-start" for this initiative.

Plutonium Immobilization: DOE is conducting research and development to implement immobilization as part of its hybrid plutonium disposition strategy. Russia has stated that all of its plutonium could be used for fuel and that none would have to be immobilized. Following extensive discussions between U.S. experts (principally from the Lawrence Livermore National Laboratory) and Russian experts, Russia has confirmed that, in fact, some Russian plutonium should be immobilized. Small-scale projects with Russia are under way to explore appropriate technologies.

U.S.-Russian-Canadian Project to Burn Mixed Oxide (MOX) Fuel in a Canadian Nuclear Reactor: This effort will examine the technical feasibility of burning MOX fuel made from surplus U.S. and Russian weapons plutonium in existing Canadian Deuterium Uranium (CANDU) reactors. The scope of the project involves fabrication, irradiation, and post-irradiation examinations of a small number of MOX fuel rods. The Los Alamos National Laboratory has fabricated a limited quantity of fuel pellets for use in the demonstration. Russia's A.A. Bochvar All-Russian Scientific Research Institute is expected to fabricate a similar number of pellets. The test irradiation and post-irradiation examinations would be conducted at the Chalk River reactor facility in Canada.

Gas Reactor Technology Development: The U.S. Congress earmarked \$5 million in the FY 1999 Energy and Water Development Appropriations Act for DOE's Fissile Materials Disposition Program to fund joint U.S.-Russian development of gas reactor technology to dispose of excess weapons-derived plutonium. Of this funding, \$2 million will be available for work in the United States and \$3 million for work in Russia. The latter funds are releasable only if the Russian Federation matches them with comparable funding or in-kind contributions; the U.S. Congress intends for these funds to serve as "seed money" in efforts to gain financial commitments from other countries and the private sector. The development will build on already completed conceptual work and will involve three Russian institutes: OKBM, Kurchatov and Bochvar.

U.S. DEPARTMENT OF ENERGY - REDUCED ENRICHMENT FOR RESEARCH AND TEST REACTORS (RERTR)

The objective of the Joint U.S.-Russian Reduced Enrichment for Research and Test Reactors (RERTR) program is the further reduction of international commerce in highly enriched uranium (HEU) through the conversion of Soviet-designed research and test reactors from HEU to low-enriched uranium (LEU) fuel. In 1995, the Argonne National Laboratory (ANL) and Russia's Research and Development Institute of Power Engineering (RDIPE) signed an agreement to cooperate in the development of Russian-designed research and test reactors, both within and outside of Russia, that convert HEU fuel to LEU fuel. A new contract containing language on intellectual property rights (IPR) was signed between ANL and Russian labs in June 1996.

In 1996, the U.S. Government provided \$450,000 in funding used for direct payments to Russian institutes for contract deliverables, from the State Department's Nonproliferation and Disarmament Fund (NDF) for the first full year under the contract. Plans were made for Russia to provide approximately \$3 million for the same period and for projected work to take place over a period of at least five years. In FY 1997, work continued on the tasks covered by the first year of the contract. Negotiations on the second year contract began in 1997, with a planned U.S. Government funding level of \$520,000. The Russian Ministry of Atomic Energy continued to provide funding to Russian institutes participating in RERTR work, although the amount of this funding has not yet been determined.

In FY 1998, negotiations continued toward a new contract, but were not concluded due to reorganization and bureaucratic delays on the Russian side. RERTR work continued on each side independently, but there were no direct payments from the United States to the Russians for project deliverables. All costs for U.S. work under the joint U.S.-Russian RERTR program are included in funding from DOE to Argonne National Laboratory to support the global RERTR program. Funding for this program in FY 1998 was approximately \$1 million, about \$25,000 of which was used for the participation of and presentation of papers by four Russian scientists at the annual RERTR international meeting.

U.S. DEPARTMENT OF ENERGY (DOE) - EXPORT CONTROL ASSISTANCE/SECOND LINE OF DEFENSE

Since establishing the NIS Export Control Program in 1995, DOE has developed effective relationships with its governmental counterparts in the NIS. DOE's strategy has focused on two tracks: government-to-government and laboratory-to-laboratory arrangements. Recently, a third approach, multilateral cooperation among donor states, was added to optimize limited funding and take advantage of activities in a multilateral setting. The program has given highest priority to those countries with the greatest potential as suppliers of sensitive equipment, materials, and technology, i.e., Russia, Ukraine and Kazakhstan. DOE's comprehensive export control program for the NIS is comprised of its traditional nuclear export control programs and the Second Line of Defense (SLD) Program.

DOE's Export Control and SLD initiatives target areas that have not been fully addressed by the DoD Cooperative Threat Reduction (CTR) or State Department Export Control projects, or where DOE brings unique skills to bear. The traditional export control programs encompass five broad objectives: (1) the utilization of existing expertise, (2) the establishment or enhancement of a legal regulatory framework, (3) assistance in developing a licensing program, (4) enhanced industry awareness, and (5) promoting the adoption of multilateral standards of conduct. SLD is the first program for Russia designed to combat trafficking of illicit nuclear materials across border and control points. In FY 1998, DOE was allocated \$3.2 million for its traditional export control assistance programs and \$3 million for SLD. Projected funding for FY 1999 is \$3 million for traditional programs and \$1.5 million for SLD.

In FY 1998, DOE began to implement the SLD Program, whose primary objective is to assist Russia in strengthening its overall capability to prevent leakage of nuclear materials, equipment and technology to would-be proliferators. The SLD strategy is focused on two areas: procurement of Russian-manufactured detection equipment for Russian Federation State Customs Committee (RFSCC) sites and border crossings, and the development of training programs for RFSCC officials. A protocol signed by DOE and the RFSCC in June 1998 marked the beginning of collaborative efforts, and work was immediately begun to place detection equipment at Moscow's Sheremetyevo International Airport complex and the Caspian Sea port of Astrakhan (about 400 miles

from Iran). In September 1998, DOE Secretary Richardson, RFSCC Chairman Valeri Draganov and U.S. Senator Domenici participated at the Sheremetyevo ribbon-cutting ceremony to commemorate the project's efforts.

DOE also implements a Graduate Student Facilitators Program that places U.S. graduate students at NIS institutes for one year to facilitate DOE's export control assistance programs. Students are currently on assignment at the Russian Center for Export Control and the Kazakhstani Atomic Energy Agency, and one is scheduled for placement at the Ukrainian Scientific and Technical Center on Export and Import of Special Technologies.

FY 1998 Country Highlights

Russia: Workshops were held in Obninsk in April, St. Petersburg in June and Snezhinsk in September to facilitate formal involvement of Russian technical experts in export license reviews and to prompt dialogue among Russian agencies. Continued support was given to the Russian Center on Export Controls for quarterly newsletters and a new webpage (www.expcon.ru) to help distribute information on nonproliferation to government and industry.

Kazakhstan: DOE continues to work with Kazakhstani officials and institutions to integrate reliable technical expertise into the nuclear export control process. Since FY 1995, DOE has sponsored several workshops and seminars there, and the National Nuclear Center identified a core technical team to support the Kazakhstan Atomic Energy Agency on export controls. A review of Kazakhstan's control lists was completed in FY 1998.

Ukraine: In FY 1998, DOE assistance resulted in the development of a database to facilitate the technical review of nuclear-related export licenses. DOE continues to work with the Ukrainian Institute of Nuclear Research (INR), State Service for Export Controls, and Kharkiv Institute of Physics and Technology to assist in integrating reliable technical expertise into the nuclear export control process; a cooperation agreement was also recently established with the STC in Kiev. In spring 1998, the INR gave a nonproliferation seminar to a broader audience of Ukrainian nuclear experts.

U.S. DEPARTMENT OF ENERGY - INITIATIVES FOR PROLIFERATION PREVENTION (IPP)

Overview: The main objectives of the IPP Program are to identify and develop non-military applications for defense technologies and create long-term jobs for NIS weapons scientists and engineers in the high-technology commercial marketplace. IPP helps to identify opportunities for U.S. firms to invest in enterprises that create jobs in the NIS and the U.S. To this end, IPP provides seed funds for identification and maturation of technology and facilitates interactions between U.S. industry and NIS institutes for developing industrial partnerships, joint ventures, or other mutually beneficial arrangements. Since IPP's inception, over 4,400 NIS scientists, engineers and technicians have participated in IPP-funded projects. The responsibility for supporting each initiative is transferred from the U.S. Government to the private sector by means of a cost-shared phase over the life of the project.

Since the first IPP contracts were signed in August 1994, more than 400 IPP projects have been initiated, including over 310 "lab-to-lab" projects and over 90 industry cost-shared projects (about 85 percent involve institutes in the Russian Federation). Currently, six IPP projects are in the process of commercialization in areas as diverse as the recovery of valuable tungsten carbide from mixed scrap and the production of medical isotopes for worldwide sale. In September 1997, IPP approved 22 projects that address nonproliferation issues at chemical and biological weapons institutes in Russia and Kazakhstan. Through FY 1998, IPP has funded a total of 44 projects at these institutes.

IPP was developed on the basis of lab-to-lab interactions. The primary role of the DOE National Laboratories is to engage their NIS counterparts. The IPP has demonstrated that scientific peer relationships provide distinct advantages in developing profitable work relationships with personnel at NIS institutes. This is frequently and preferably a close-contact exercise, enabling NIS scientists to work and identify more closely with DOE National Laboratory staff, who are well positioned to assist their NIS colleagues in IPP proposal development. Most institute proposals require extensive revision to reflect the applied science and technology that will lead to

sustained interest from a potential private-sector sponsor. The core competencies in the NIS institutes are similar to those in the DOE National Laboratories, allowing the latter to knowledgeably direct and evaluate NIS technical capabilities, and to determine the status of any intellectual property that should be protected. In practice, the lab-to-lab approach has also resulted in an influx of technical information from the NIS institutes into DOE Laboratories, which has stimulated ongoing projects in materials, manufacturing, biotechnology, environmental technology and communications.

In FY 1994, IPP received \$35 million under the FREEDOM Support Act. From FY 1996 to FY 1998, IPP was funded under the Energy and Water Appropriations Act. In FY 1996, IPP received \$10 million under that appropriation, plus an additional \$10 million from DoD's CTR Program. Funded at \$30 million per year in FY 1997 and FY 1998, IPP has received total U.S. Government funding of \$115 million through FY 1998.

Program Activities

IPP approved 64 projects in FY 1998, 16 of which involve activities at chemical and biological weapons (CW/BW) related institutes in Russia and Kazakhstan. This reflects IPP's goal of expending approximately 20 percent of its resources at CW/BW institutes and 80 percent at those affiliated with nuclear weapons or their delivery systems. Reflecting IPP's commitment to commercial development, 20 of these 64 approved projects are industry cost-share projects in which each dollar spent by the U.S. Government is matched by contributions from private industry.

During FY 1998, DOE began development of the Nuclear Cities Initiative (NCI), which is a separate program, but shares many of IPP's objectives. The IPP Director and staff were instrumental in developing the NCI and negotiating the agreement that was signed in September 1998 by U.S. Energy Secretary Richardson and Russian Minister of Atomic Energy Adamov. As part of the overall DOE strategy in the NIS, IPP will continue to support the NCI, which focuses on Russia's ten formerly closed nuclear cities. In FY 1998, 24 of the 64 approved IPP projects were in these cities.

During FY 1998, IPP's fourth year of operations, significant streamlining efforts were undertaken to review and restructure IPP program activities and elements. In late FY 1997, Booz, Allen and Hamilton completed a full audit that yielded over 50 recommendations for program improvement; by the end of FY 1998, over 95 percent of these had been implemented or responded to. DOE also increased the full-time IPP program staff from two to nine people, and upgraded IPP office space and administrative equipment. IPP was relocated to the Office of Arms Control and Nonproliferation (NN-40) and thus fully integrated into DOE's primary nonproliferation office—this will facilitate better intra-agency coordination.

In FY 1994, IPP funded the creation of the nonprofit, incorporated United States Industry Coalition (USIC) to facilitate commercial development activities between U.S. industry and NIS institutes and coordinate commercialization activities for the entire IPP program. Under a financial assistance agreement, DOE provided funds to the University of New Mexico to support and staff USIC until June 1998, when it was decided to terminate this agreement and support USIC directly. This change, while acknowledging the critical support and resources the University provided in USIC's initial development, is a signal that USIC has matured to the point that it is now capable of leading and managing itself as a fully independent organization. It was also determined that the goals and activities of USIC were no longer congruent with the educational goals of the university. As a result of this decision, IPP and the University began to phase out joint activities over the final six months of the year, and a new corporate assistance agreement was signed by DOE and USIC (a 501c3 corporation) on September 30, 1998.

FY 1998 Country Highlights

Russia: During FY 1998, IPP funded 59 projects in Russia, including 24 in Russia's closed nuclear cities, which were IPP's primary focus. Through its efforts in the closed nuclear cities, IPP supported the creation of the Nuclear Cities Initiative (NCI), which will serve as DOE's primary vehicle for engagement in these special cities. IPP also developed a closer relationship with the State Department-funded International Science and Technology Center (ISTC) in Moscow. At the beginning of the year, IPP assumed responsibility for providing and funding the U.S. ISTC Deputy Director position in Moscow, currently filled by a staff member of the Oak Ridge National Laboratory. IPP's funding of this position has provided an opportunity for closer coordination between the Departments of Energy and State and enabled ISTC to utilize vital technical expertise from DOE's National

Laboratories.

Ukraine: IPP funded 3 new projects in Ukraine in FY 1998, as well as ongoing work on 11 projects. One of the year's success stories was a group of projects focusing on the development of a radiation-hardened, television-guided robotics platform known as "Project Pioneer." Nearly completed, this versatile robot will be suitable for use in the containment sarcophagus at the Chornobyl nuclear power plant. Over the past year, the project has attracted considerable media attention, as well as additional funding from NASA and private industry, both of which would like to utilize this technology in their own programs. During the last quarter of FY 1998, IPP resolved issues surrounding Ukrainian taxation of IPP funds. The Ukrainian Government, through the Finance Ministry, agreed to utilize an existing mechanism to certify that IPP funds are exempt from taxes on a project-by-project basis. Over the past year, DOE's Nuclear Energy Division has used this system quite successfully, and there is full confidence that it will be equally effective for IPP. Implementation details are currently under negotiation.

Kazakhstan: IPP funded two new projects and continued to support 11 ongoing ones, with an emphasis on former nuclear weapons scientists working at the National Nuclear Center and former scientists and technicians from the Stepnogorsk biological weapons complex now working at the National Center on Biotechnology. At the close of FY 1998, the Government of Kazakhstan formally agreed to exempt all IPP funds from any taxes and duties, thus removing a significant barrier to developing new projects in Kazakhstan and demonstrating the impact that IPP has in providing jobs and revenue there. Finalization of implementation details is currently under way.

Belarus: Due the U.S. Government's policy of selective engagement with the Government of Belarus, IPP did not develop any new projects in Belarus, and will maintain a hold on all new project development there for the foreseeable future. In order to maintain ties with former Soviet weapons scientists in Belarus, IPP has allowed several projects initiated in FY 1996 and FY 1997 to continue until their scheduled completion in FY 1999. Once finished, the data from these projects could form the basis for a large-scale environmental remediation program addressing contamination from the Chornobyl accident.

SOCIAL-SECTOR AND HUMANITARIAN PROGRAMS

U.S. DEPARTMENT OF AGRICULTURE (USDA) - FOOD ASSISTANCE PROGRAMS

Armenia: In FY 1998, USDA donated approximately 11,000 metric tons (MT) of commodities through private voluntary organizations (PVOs) in Armenia. These PVOs included the American International Association of the Hematologists of the World for Children (AIA); the Fund for Armenian Relief; Armenian Technology Group, Inc.; and the United Methodist Committee on Relief (UMCOR). Under its 3,000 MT monetization program, UMCOR carried out several activities to assist health care providers and facilities and to improve agricultural facilities. The Fund for Armenian Relief used 1,550 MT of donated commodities for direct-feeding programs. Additionally, proceeds from the monetization of approximately 1,450 MT of commodities were used to revitalize the country's dairy industry. The Armenian Technology Group, Inc., monetized 3,000 MT of wheat to finance the promotion of Armenia's seed industry. Meanwhile, AIA distributed approximately 2,000 MT of rice and vegetable oil through feeding programs targeting children with hematological diseases. In addition to commodity donations under its Food for Progress program, USDA used the P.L. 480, Title I concessional sales program to finance the purchase of 75,000 MT of wheat, valued at \$15 million, by the Government of Armenia in FY 1998. According to the purchase arrangement, the revenues generated by the sale of the commodities will be used to continue several internal market reform activities in Armenia. The Government of Armenia is expected to purchase U.S. agricultural commodities under the P.L. 480 program again in FY 1999.

Azerbaijan: In FY 1998, USDA provided assistance to Azerbaijan through a Food for Progress agreement with the Adventist Development and Relief Agency (ADRA) and the American Red Cross (ARC). A total of 5,900 MT of agricultural commodities was directly distributed and monetized by ADRA in continuation of its feeding program, as well as for the promotion of a technology transfer program targeted at Azerbaijan's agricultural sector. ARC

distributed 1,100 MT of soybean oil and wheat flour through its nine-month direct-feeding program, which served Azerbaijan's most vulnerable population.

Georgia: In FY 1998, USDA donated 4,500 MT of commodities to Georgia through the International Orthodox Christian Charities (IOCC) under a Food for Progress agreement. IOCC distributed approximately 3,000 MT and monetized approximately 1,500 MT of commodities in support of its direct-feeding program in southern and western Georgia. In addition, USDA provided approximately 50,000 MT of wheat and 4,000 MT of vegetable oil, with a combined value of \$15 million, under the P.L.-480 Title I program. This wheat will be provided to vulnerable groups and used, in part, to support ongoing market reforms, including the privatization of agricultural enterprises. USDA expects to implement a concessional sale to Georgia under this program again in FY 1999.

Kazakhstan: Kazakhstan received approximately 7,300 MT of USDA-donated commodities through the Food for Progress program in FY 1998. These commodities were distributed through Mercy Corps International's (MCI) monetization program. Proceeds supported improvements in agricultural production and technology and the promotion of a free market society.

Kyrgyzstan: USDA donated approximately 8,500 MT of commodities to Kyrgyzstan through Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), AIA, and MCI through Food for Progress agreements. ACDI/VOCA monetized 3,500 MT of wheat to support the continuation of its rural credit program. AIA directly distributed approximately 3,000 MT of rice, wheat flour, and vegetable oil to institutions serving children afflicted with hematological diseases. Meanwhile, MCI distributed approximately 947 MT of rice and soybean meal to hospitals, boarding schools, and day-care facilities. In addition, MCI monetized approximately 1,050 MT of soybean oil to support its various programs, including agricultural credit, micro-credit for rural women, and food-for-work programs.

Moldova: In FY 1998, USDA, the International Partnership for Human Development (IPHD), and Citizens Network for Foreign Affairs, Inc., carried out a humanitarian assistance Food for Progress program in Moldova, providing 9,200 MT of food commodities. The distribution and monetization of 1,200 MT of commodities enabled IPHD to carry out its food and medical assistance program in Moldova for a fourth consecutive year. Proceeds from the monetization of 8,000 MT of soybean meal helped the Citizens Network for Foreign Affairs (CNFA) create a farmer credit union in Moldova.

Russia: USDA donated nearly 15,334 MT of food commodities to Russia under the Food for Progress program in FY 1998. This was accomplished through Food for Progress agreements reached with Russian Farm Community Project, Inc. (RFCP) and Project Aid Siberia (PAS). The RFCP program involved the local sale of 15,000 MT of USDA-donated wheat, with the proceeds being used to provide loans to private farmers, to establish a food processing, marketing, and distribution center, and to create a farmers marketing and supply association. PAS directly distributed 334 MT of commodities to vulnerable groups in Russia.

Tajikistan: In FY 1998, USDA reached Food for Progress agreements for Tajikistan with four organizations: the Aga Khan Foundation (AKF), Cooperative for Assistance and Relief Everywhere (CARE), MCI, and the Save the Children Federation (STCF). These organizations distributed approximately 16,845 MT of food commodities. AKF, CARE, and STCF carried out direct feeding programs for needy people affected by Tajikistan's ongoing civil conflict. In addition, the STCF program called for a Food for Work portion, which targeted the reconstruction of homes and public health facilities, the rubble clearance of water canals, and the planting of school gardens. Meanwhile, MCI distributed 2,500 MT of food commodities in a direct feeding and monetization program. The proceeds from MCI's monetization program were used to support an agricultural credit fund, a small business fund, health care improvement, and other initiatives.

Ukraine: Under its Food for Progress program, USDA donated nearly 7,220 MT of food commodities through two organizations in FY 1998: Agudath Israel of America and Global Jewish Assistance and Relief Network (GJARN). These multi-faceted programs targeted pressing agricultural and humanitarian needs in Ukraine. Agudath Israel of America monetized approximately 3,900 MT of commodities to set up a credit union, to expand a local housing project, to provide educational grants, and to aid several direct feeding programs. Meanwhile, GJARN distributed and monetized nearly 3,320 MT of commodities to support its direct feeding program, which targets needy people in Ukraine.

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE PROGRAMS

The Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C) is responsible for coordinating and facilitating the delivery of emergency and transitional humanitarian assistance to the NIS by over 16 U.S. Government agencies, as well as for coordinating U.S. Government humanitarian assistance efforts with other donor countries and several international organizations. In FY 1998, the Coordinator's Office expended over \$14.3 million to leverage and facilitate the movement of privately donated and U.S. Government-provided humanitarian assistance commodities to targeted groups of needy individuals in the NIS.

Working closely with numerous U.S. private voluntary organizations (PVOs), contracted freight forwarders, and various government agencies, the Coordinator's Office transported and distributed over \$200 million in privately donated and U.S. Department of Defense excess commodities to the NIS in FY 1998. The Coordinator's Office funded several emergency and transitional humanitarian assistance programs targeted at the most needy populations in the NIS. FY 1998 program highlights include the following:

- The initiation in April 1998 of a cooperative agreement with the U.S. PVO Counterpart to restart a transportation program for small and medium-sized PVOs. This program is designed to fill a gap between S/NIS/C's Large PVO Program and USAID's Ocean Freight Program, which allows smaller PVOs shipping as few as one or two containers to target groups in the NIS.
- The State Department-funded delivery, via a U.S. Air Force C-5 cargo plane, of over \$8 million in humanitarian medical assistance to Yerevan, Armenia. This flight, which originated at Andrews Air Force Base just outside of Washington, D.C., was the 100th such mission implemented by the United Armenian Fund.
- The delivery of a follow-on hospital package to Yerevan, Armenia, to upgrade a U.S. Defense Department hospital package delivered there in fall 1997.
- The coordination and delivery of a \$13.9 million Defense Department excess property hospital package to Baku, Azerbaijan. This project was accompanied by two airlifts in August 1998 carrying approximately \$6.1 million in pharmaceuticals provided by five U.S. PVOs. This \$20 million project was made possible by language in the FY 1998 Foreign Operations Appropriations Act exempting humanitarian assistance from Section 907 of the FREEDOM Support Act, which prohibits assistance to the Government of Azerbaijan. This prohibition had prevented hampered the U.S. Government's efforts to provide humanitarian assistance to Azerbaijani refugees, internally displaced persons (IDPs), and victims of the Nagorno-Karabakh conflict.
- The continuation of a large grant with Counterpart to screen and deliver U.S. Defense Department excess property to those in greatest need in nine NIS countries. The program, which funneled over \$43 million in Defense Department excess commodities to the NIS in FY 1998, played a critical role in furnishing over \$10 million in badly needed emergency commodities (including tents, stoves, sleeping bags, and clothing) to over 30,000 refugees in the Zugdidi region of Georgia. In Azerbaijan, Counterpart delivered Defense Department food (rice, humanitarian daily rations (HDRs), and bulk canned foods) to over 18 orphanages. These critical deliveries represented the bulk of the food available to the children cared for in these institutions.
- The continuation of grants to the United Methodist Committee on Relief (UMCOR) to carry on their humanitarian clinical work in all three Caucasus countries (Armenia, Azerbaijan and Georgia). UMCOR's efforts were especially critical in responding to the needs of refugee and IDP populations in Azerbaijan and Georgia.
- A grant to the U.S. PVO CitiHope to deliver over \$25 million in high-value pharmaceuticals to Kyrgyzstan, Ukraine, Azerbaijan, Armenia, Turkmenistan, Moldova and Uzbekistan.
- A grant to the U.S. PVO Project Hope to deliver over \$15 million in humanitarian medical commodities to several locations in Russia, Azerbaijan and Tajikistan.

- A grant to the U.S. PVO A Call to Serve (ACTS) in support of a \$10 million project to supply critically needed medical commodities to eight separate locations in the mountainous regions of Georgia.
- A grant for the PVO International Medical Corporation (IMC) in support of a \$3 million program responding to the short-term medical needs of those displaced by the fighting in the Gali region of Georgia.
- A grant to the U.S. PVO Heart-to-Heart in support of an \$8 million program to deliver high-value pharmaceuticals to Russia, Azerbaijan, Moldova, Armenia and Kyrgyzstan. The delivery of over \$1 million in commodities to Novosibirsk and Akademgorodok, Russia, was the culmination of a partnership effort which began with First Lady Hillary Rodham Clinton's visit there in the fall 1997. Over 20 medical personnel associated with the American Academy and Physicians With Heart accompanied this delivery and conducted training seminars on family practice protocols.
- Coordination through USAID of the delivery of over \$5 million in emergency natural gas assistance to Georgia for use in winter 1997-98.
- Coordination through USAID of the provision of over \$1 million in assistance to Kyrgyzstan and \$1 million to Tajikistan directed at alleviating the suffering caused by severe flooding in spring 1998.
- The provision of \$3.5 million to USAID's Ocean Freight Program to facilitate the delivery of humanitarian commodities to the NIS.
- Coordination of initial demining programs for Azerbaijan, Georgia and Moldova with the Humanitarian Demining Program of the State Department's Bureau of Politico-Military Affairs.

The following tables provide a summary of humanitarian assistance provided by the Coordinator's Office since FY 1992:

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO ARMENIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	17		1.84	22.47	
1992	Surface		4	0.02	2.80	
	Operation Provide Hope II (Food&Med.)			0.10	1.06	
	S/NIS/C Admin & Program Support			0.76		
FY 1992 TOTAL		17	4	2.72	26.33	29.05
1993	Airlift	22		3.05	7.78	
1993	Surface		1024	6.08	23.92	
	CARE Grant			0.83		
	Fuel Shipments (Mazout)			5.15		
	S/NIS/C Admin & Program Support			7.71		
FY 1993 TOTAL		22	1024	22.82	31.70	54.52
1994	Airlift	5		0.70	10.35	
1994	Surface		152	1.60	5.93	
	Japanese Kerosene			0.50		
	Fuel Shipments (Mazout)			3.00		
	ATG Winter Wheat Seed			1.00		
	Caucasus Logistics Assistance Unit			1.75		
	CRS Grant			0.50		
	WFP Grant			1.50		
	CARE Grant			0.06		
	UMCOR Grant			0.25		
	S/NIS/C Admin & Program Support			2.60		
FY 1994 TOTAL		5	152	13.46	16.28	29.74
1995	Airlift	9		0.92	12.87	
1995	Surface		202	1.55	14.83	
	Winter & Spring Fertilizer			0.12		
	Winter Wheat & Barley Seed			0.43		
	Winter Diesel, Kerosene & Mazout			2.04		
	WFP Grant			0.95		
	Heart to Heart Grant			0.16		
	Counterpart Grant			0.10		
	CARE Grant			0.17		
	UMCOR Grant			0.33		
	S/NIS/C Admin & Program Support			1.39		
FY 1995 TOTAL		9	202	8.16	27.70	35.86
1996	Airlift	8		0.96	19.04	
1996	Surface		161	0.93	15.76	
	Barley Seed & 2,000 MT of Fall Wheat			0.30		
	UMCOR Grant			0.36		
	Counterpart Grant			0.18		
	S/NIS/C Admin & Program Support			0.26		
FY 1996 TOTAL		8	161	2.99	34.80	37.79
1997	Airlift	1		0.13	2.05	
1997	Surface		355	0.45	7.85	
	UMCOR Grant			0.30		
	DoD Excess Hospital (Yerevan-Oct'96)			1.82	13.18	
	S/NIS/C Admin & Program Support			0.81		
FY 1997 TOTAL		1	355	3.51	23.08	26.59
1998	Airlift	3		0.31	9.97	
1998	Surface		90	0.47	7.80	
	Counterpart Mammography Clinic			0.02		
	UMCOR Grant			0.20		
	Citihope Grant			0.09		
	S/NIS/C Admin & Program Support			0.14		
FY 1998 TOTAL		3	90	1.23	17.77	19.00
CUMULATIVE TOTAL		65	1988	54.88	177.66	232.54

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO AZERBAIJAN

listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), surface transportation of U.S. Government excess property and privately donated commodities d medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992.00	Airlift	5		0.22	8.80	
1992.00	Surface		2	0.02	0.42	
	Operation Provide Hope II (Food&Med.)			0.30	1.30	
	S/NIS/C Admin & Program Support			0.21		
FY 1992 TOTAL		5	2	0.75	10.52	11.27
1993.00	Airlift	4		0.13	0.92	
1993.00	Surface		0			
	CARE Grant			0.44		
	S/NIS/C Admin & Program Support			0.29		
FY 1993 TOTAL		4	0	0.86	0.92	1.78
1994.00	Airlift	8		0.60	4.70	
1994.00	Surface		4	0.01	0.40	
	CARE Grant			0.04		
	Relief International Grant			0.04		
	Medicines Sans Frontiers			0.01		
	WFP Grant			1.00		
	S/NIS/C Admin & Program Support			0.41		
FY 1994 TOTAL		8	4	2.11	5.10	7.21
1995.00	Airlift	0				
1995.00	Surface		41	0.26	2.52	
	Relief Int'l. Grant			0.03		
	CARE Grant			0.17		
	WFP Grant			1.60		
	S/NIS/C Admin & Program Support			0.42		
FY 1995 TOTAL		0	41	2.48	2.52	5.00
1996.00	Airlift	1		0.07	0.53	
1996.00	Surface		30	0.29	2.58	
	UMCOR Grant			0.36		
	Project HOPE Grant			0.05		
	Counterpart Grant			0.09		
	Intl Relief Cmte Grant			0.01		
	WFP Grant			0.40		
	S/NIS/C Admin & Program Support			0.12		
FY 1996 TOTAL		1	30	1.39	3.11	4.50
1997.00	Airlift	5		0.29	5.40	
1997.00	Surface		19	0.15	5.42	
	Intl Relief Cmte Grant			0.01		
	Heart to Heart Grant			0.03		
	UMCOR Grant			0.37		
	Project HOPE Grant			0.03		
	S/NIS/C Admin & Program Support			0.26		
FY 1997 TOTAL		5	19	1.14	10.82	11.96
1998	Airlift	8		0.64	8.54	
1998	Surface		287	1.29	15.99	
	UMCOR Grant			0.43		
	Counterpart Grant			0.17		
	Citihope			0.03		
	Project Hope			0.04		
	S/NIS/C Admin & Program Support			0.28		
FY 1998 TOTAL		8	287	2.88	24.53	27.41
CUMULATIVE TOTAL		31	383	11.61	57.52	69.13

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO BELARUS

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	8		0.41	13.36	
1992	Surface		8	0.01	0.17	
	S/NIS/C Admin & Program Support			0.16		
FY 1992 TOTAL		8	8	0.58	13.53	14.11
1993	Airlift	3		0.27	3.05	
1993	Surface		75	0.51	10.42	
	S/NIS/C Admin & Program Support			0.40		
FY 1993 TOTAL		3	75	1.18	13.47	14.65
1994	Airlift	2		0.21	1.82	
1994	Surface		113	0.45	12.32	
	DoD Excess Hospital (Minsk-Aug'94)			1.50	11.20	
	S/NIS/C Admin & Program Support			0.52		
FY 1994 TOTAL		2	113	2.68	25.34	28.02
1995	Airlift	1		0.11	2.50	
1995	Surface		108	0.54	14.99	
	Counterpart Grant			0.10		
	S/NIS/C Admin & Program Support			0.45		
FY 1995 TOTAL		1	108	1.20	17.49	18.69
1996	Airlift	4		0.44	11.83	
1996	Surface		172	0.81	28.07	
	Counterpart Grant			0.10		
	S/NIS/C Admin & Program Support			0.13		
FY 1996 TOTAL		4	172	1.48	39.90	41.38
1997	Airlift	1		0.14	4.01	
1997	Surface		58	0.29	6.45	
	Counterpart Grant			0.02		
	S/NIS/C Admin & Program Support			0.13		
FY 1997 TOTAL		1	58	0.58	10.46	11.04
1998	Airlift	3		0.11	2.44	
1998	Surface		37	0.18	5.42	
	S/NIS/C Admin & Program Support			0.06		
FY 1998 TOTAL		3	37	0.35	7.86	8.21
CUMULATIVE TOTAL		22	571	8.05	128.05	136.10

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO GEORGIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	19		1.04	17.38	
1992	Surface		0			
	DoD Excess Hospital (Tbilisi-Sep'92)			2.00	15.00	
	ACTS Grant			0.05		
	Operation Provide Hope II (Food & Med.)			0.10	1.92	
	S/NIS/C Admin & Program Support			1.24		
FY 1992 TOTAL		19	0	4.43	34.30	38.73
1993	Airlift	10		0.89	9.90	
1993	Surface		386	2.33	22.71	
	ACTS Grant			0.46		
	CARE Grant			0.83		
	Fuel Shipment (Mazout)			5.15		
	S/NIS/C Admin & Program Support			4.93		
FY 1993 TOTAL		10	386	14.59	32.61	47.20
1994	Airlift	30		2.60	20.79	
1994	Surface		184	1.19	29.59	
	Japanese Kerosene			0.30		
	ACTS Grant			0.70		
	CRS Grant			0.50		
	CARE Grant			0.06		
	UMCOR Grant			0.35		
	WFP Grant			1.00		
	Caucasus Logistics Assistance Unit			1.75		
	S/NIS/C Admin & Program Support			2.02		
FY 1994 TOTAL		30	184	10.47	50.38	60.85
1995	Airlift	10		0.69	8.47	
1995	Surface		178	1.27	8.74	
	Fuel Shipment (Mazout - Oct. '94)			2.00		
	ACTS Grant			0.38		
	WFP Grant			1.00		
	Counterpart Grant			0.65		
	CARE Grant			0.26		
	UMCOR Grant			0.28		
	DoD Hospital Upgrade (Tbilisi-Jun'95)			0.15	1.35	
	S/NIS/C Admin & Program Support			2.20		
FY 1995 TOTAL		10	178	8.88	18.56	27.44
1996	Airlift	12		1.05	21.82	
1996	Surface		237	1.47	19.37	
	UMCOR Grant			0.35		
	ACTS Grant			0.33		
	Counterpart Grant			0.25		
	S/NIS/C Admin & Program Support			0.32		
FY 1996 TOTAL		12	237	3.77	41.19	44.96
1997	Airlift	5		0.40	26.66	
1997	Surface		139	0.77	29.17	
	UMCOR Grant			0.20		
	ACTS Grant			0.35		
	S/NIS/C Admin & Program Support			0.57		
FY 1997 TOTAL		5	139	2.29	55.83	58.12
1998	Airlift	6		0.53	22.85	
1998	Surface		97	0.46	13.87	
	A.C.T.S.			0.33		
	IMC - Art Keys & Assoc.			0.20		
	Counterpart Grant			0.34		
	Heart to Heart Grant			0.03		
	UMCOR Grant			0.27		
	S/NIS/C Admin & Program Support			0.36		
FY 1998 TOTAL		6	97	2.52	36.72	39.24
CUMULATIVE TOTAL		92	1221	46.95	269.59	316.54

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO KAZAKHSTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	9		0.90	22.00	
1992	Surface		4	0.03	0.25	
	Operation Provide Hope II (Food&Med.)			0.50	3.22	
	S/NIS/C Admin & Program Support			0.55		
FY 1992 TOTAL		9	4	1.98	25.47	27.45
1993	Airlift	6		0.90	9.80	
1993	Surface		28	0.20	1.40	
	S/NIS/C Admin & Program Support			0.56		
FY 1993 TOTAL		6	28	1.66	11.20	12.86
1994	Airlift	3		0.47	11.40	
1994	Surface		226	0.36	7.20	
	UMCOR Grant			0.07		
	S/NIS/C Admin & Program Support			0.22		
FY 1994 TOTAL		3	226	1.12	18.60	19.72
1995	Airlift	8		0.88	9.42	
1995	Surface		198	1.13	8.05	
	DoD Excess Hospital (Almaty-Dec'94)			2.10	13.50	
	Counterpart Grant			0.10		
	UMCOR Grant			0.03		
	S/NIS/C Admin & Program Support			0.49		
FY 1995 TOTAL		8	198	4.73	30.97	35.70
1996	Airlift	6		0.77	7.66	
1996	Surface		56	0.44	4.92	
	Project Sapphire			0.10		
	Counterpart Grant			0.10		
	Heart to Heart Grant			0.11		
	DoD Excess Hospital (Semi/Kurch-Nov'95)			0.68	5.32	
	DoD Excess Hospital (Ust-Kamenogorsk-Jun'96)			0.02	1.48	
	S/NIS/C Admin & Program Support			0.21		
FY 1996 TOTAL		6	56	2.43	19.38	21.81
1997	Airlift	5		0.64	11.97	
1997	Surface		84	0.62	13.33	
	Counterpart Grant			0.09		
	S/NIS/C Admin & Program Support			0.40		
FY 1997 TOTAL		5	84	1.75	25.30	27.05
1998	Airlift	6		0.25	1.71	
1998	Surface		61	0.47	9.68	
	Counterpart Grant			0.42		
	S/NIS/C Admin & Program Support			0.23		
FY 1998 TOTAL		6	61	1.37	11.39	12.76
CUMULATIVE TOTAL		43	657	15.03	142.31	157.34

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO KYRGYZSTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	6		0.37	10.40	
1992	Surface					
	Operation Provide Hope II (Food&Med.)			0.10	2.15	
	S/NIS/C Admin & Program Support			0.18		
FY 1992 TOTAL		6	0	0.65	12.55	13.20
1993	Airlift	8		0.86	5.61	
1993	Surface					
	DoD Excess Hospital (Bishkek-Apr'93)			1.50	17.70	
	S/NIS/C Admin & Program Support			1.20		
FY 1993 TOTAL		8	0	3.56	23.31	26.87
1994	Airlift	5		0.49	9.58	
1994	Surface		18	0.09	1.14	
	S/NIS/C Admin & Program Support			0.14		
FY 1994 TOTAL		5	18	0.72	10.72	11.44
1995	Airlift	2		0.12	0.80	
1995	Surface		42	0.16	0.45	
	DoD Hospital Upgrade (Bishkek-Jun'95)			0.15	1.35	
	S/NIS/C Admin & Program Support			0.28		
FY 1995 TOTAL		2	42	0.71	2.60	3.31
1996	Airlift	0		0.00	0.00	
1996	Surface		36	0.26	3.17	
	Heart to Heart Grant			0.11		
	S/NIS/C Admin & Program Support			0.03		
FY 1996 TOTAL		0	36	0.40	3.17	3.57
1997	Airlift	8		0.58	5.14	
1997	Surface		32	0.34	6.98	
	Counterpart Grant			0.10		
	S/NIS/C Admin & Program Support			0.31		
FY 1997 TOTAL		8	32	1.33	12.12	13.45
1998	Airlift	19		0.49	11.77	
1998	Surface		40	0.33	7.81	
	Counterpart Grant			0.09		
	Project Hope			0.13		
	CitiHope Grant			0.21		
	S/NIS/C Admin & Program Support			0.23		
FY 1998 TOTAL		19	40	1.48	19.58	21.06
CUMULATIVE TOTAL		48	168	8.86	84.05	92.91

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO MOLDOVA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	4		0.20	7.50	
1992	Surface		6	0.05	0.57	
	Operation Provide Hope II (Food&Med.)			0.30	1.10	
	S/NIS/C Admin & Program Support			0.21		
FY 1992 TOTAL		4	6	0.76	9.17	9.93
1993	Airlift	4		0.36	7.00	
1993	Surface		109	0.52	6.00	
	S/NIS/C Admin & Program Support			0.45		
FY 1993 TOTAL		4	109	1.33	13.00	14.33
1994	Airlift	4		0.09	0.50	
1994	Surface		55	0.30	9.20	
	DoD Excess Hospital (Chisinau-Aug'94)			1.20	12.50	
	Counterpart Grant			0.02		
	Oil & Coal			4.10		
	S/NIS/C Admin & Program Support			1.37		
FY 1994 TOTAL		4	55	7.08	22.20	29.28
1995	Airlift	0				
1995	Surface		113	0.62	6.17	
	Counterpart Grant			0.02		
	S/NIS/C Admin & Program Support			0.42		
FY 1995 TOTAL		0	113	1.06	6.17	7.23
1996	Airlift	3		0.17	0.69	
1996	Surface		103	0.35	6.84	
	DoD Hospital Upgrade (Chisinau-Jul'96)			0.15	1.35	
	S/NIS/C Admin & Program Support			0.06		
FY 1996 TOTAL		3	103	0.73	8.88	9.61
1997	Airlift	2		0.13	3.19	
1997	Surface		56	0.28	5.80	
	Counterpart Grant			0.09		
	S/NIS/C Admin & Program Support			0.15		
FY 1997 TOTAL		2	56	0.65	8.99	9.64
1998	Airlift	0				
1998	Surface		72	0.33	10.58	
	CitiHope			0.08		
	Counterpart Grant			0.01		
	S/NIS/C Admin & Program Support			0.07		
FY 1998 TOTAL		0	72	0.49	10.58	11.07
CUMULATIVE TOTAL		17	514	12.10	78.99	91.09

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO RUSSIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	65		5.53	130.94	
1992	Surface		311	1.50	16.96	
	Heart to Heart Grant			0.02		
	CARE Grant			2.00		
	Operation Provide Hope II (Food&Med.)			2.60	29.51	
	S/NIS/C Admin & Program Support			4.52		
FY 1992 TOTAL		65	311	16.17	177.41	193.58
1993	Airlift	12		1.14	25.34	
1993	Surface		1034	4.42	45.25	
	CARE Grant			1.81		
	Family to Family Grant			0.02		
	Miramid Institute Grant			0.01		
	Helping Hand & Open Curtain Grant			0.02		
	CRS Grant			0.17		
	Salvation Army Grant			0.02		
	Operation Provide Hope III (MRE's, Food)			2.63	40.00	
	Two DoD Excess Hospitals (Moscow-Oct'93)			1.70	36.00	
	S/NIS/C Admin & Program Support			6.09		
FY 1993 TOTAL		12	1034	18.03	146.59	164.62
1994	Airlift	2		0.31	8.20	
1994	Surface		1176	4.39	86.44	
	CRS Grant			0.50		
	Counterpart Grant			0.28		
	S/NIS/C Admin & Program Support			1.31		
FY 1994 TOTAL		2	1176	6.79	94.64	101.43
1995	Airlift	27		1.99	9.39	
1995	Surface		890	4.93	67.75	
	Counterpart Grant			0.02		
	S/NIS/C Admin & Program Support			4.58		
FY 1995 TOTAL		27	890	11.52	77.14	88.66
1996	Airlift	13		0.46	7.84	
1996	Surface		351	1.42	34.60	
	DoD Excess Hospital (Vladivostok-Oct'95)			0.50	4.50	
	S/NIS/C Admin & Program Support			0.22		
FY 1996 TOTAL		13	351	2.60	46.94	49.54
1997	Airlift	10		0.45	12.20	
1997	Surface		76	0.56	8.69	
	S/NIS/C Admin & Program Support			0.30		
FY 1997 TOTAL		10	76	1.31	20.89	22.20
1998	Airlift	9		0.35	5.98	
1998	Surface		97	0.47	12.65	
	Heart To Heart Grant			0.30		
	S/NIS/C Admin & Program Support			0.22		
FY 1998 TOTAL		9	97	1.34	18.63	19.97
CUMULATIVE TOTAL		138	3935	57.77	582.24	640.01

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO TAJIKISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	8		0.56	11.61	
1992	Surface		4	0.02	0.21	
	Operation Provide Hope II (Food&Med.)			0.20	2.49	
	S/NIS/C Admin & Program Support			0.30		
FY 1992 TOTAL		8	4	1.08	14.31	15.39
1993	Airlift	3		0.34	1.28	
1993	Surface		7	0.05	0.05	
	Aga Khan Grant			0.28		
	S/NIS/C Admin & Program Support			0.34		
FY 1993 TOTAL		3	7	1.01	1.33	2.34
1994	Airlift	4		0.57	3.10	
1994	Surface		4	0.02	0.09	
	CARE Grant			0.04		
	S/NIS/C Admin & Program Support			0.15		
FY 1994 TOTAL		4	4	0.78	3.19	3.97
1995	Airlift	2		0.32	0.75	
1995	Surface		39	0.31	2.42	
	Aga Khan Grant			0.12		
	S/NIS/C Admin & Program Support			0.50		
FY 1995 TOTAL		2	39	1.25	3.17	4.42
1996	Airlift	0		0.00	0.00	
1996	Surface		11	0.08	1.14	
	Relief Int'l. Grant			0.02		
	S/NIS/C Admin & Program Support			0.01		
FY 1996 TOTAL		0	11	0.11	1.14	1.25
1997	Airlift	1		0.01	0.04	
1997	Surface		25	0.17	1.64	
	Counterpart Grant			0.12		
	Heart to Heart Grant			0.03		
	S/NIS/C Admin & Program Support			0.10		
FY 1997 TOTAL		1	25	0.43	1.68	2.11
1998	Airlift	1		0.11	1.19	
1998	Surface		17	0.13	1.73	
	Humanitarian Daily Rations				1.70	
	S/NIS/C Admin & Program Support			0.02		
FY 1998 TOTAL		1	17	0.26	4.62	4.88
CUMULATIVE TOTAL		19	107	4.92	29.44	34.36

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO TURKMENISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANT</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	9		0.77	12.53	
1992	Surface		2	0.02	0.30	
	Operation Provide Hope II (Food&Med.)			0.10	1.44	
	S/NIS/C Admin & Program Support			0.35		
FY 1992 TOTAL		9	2	1.24	14.27	15.51
1993	Airlift	3		0.20	1.44	
1993	Surface		0			
	S/NIS/C Admin & Program Support			0.10		
FY 1993 TOTAL		3	0	0.30	1.44	1.74
1994	Airlift	5		0.33	2.04	
1994	Surface		1	0.01	0.18	
	S/NIS/C Admin & Program Support			0.08		
FY 1994 TOTAL		5	1	0.42	2.22	2.64
1995	Airlift	1		0.18	3.20	
1995	Surface		8	0.05	0.58	
	S/NIS/C Admin & Program Support			0.15		
FY 1995 TOTAL		1	8	0.38	3.78	4.16
1996	Airlift	0		0.00	0.00	
1996	Surface		1	0.01	0.07	
	S/NIS/C Admin & Program Support			0.00		
FY 1996 TOTAL		0	1	0.01	0.07	0.08
1997	Airlift	0		0.00	0.00	
1997	Surface		0	0.00	0.00	
	S/NIS/C Admin & Program Support			0.00		
FY 1997 TOTAL		0	0	0.00	0.00	0.00
1998	Airlift	1		0.09	4.16	
1998	Surface		4	0.03	0.79	
	CitiHope Grant			0.09		
	Counterpart Grant			0.09		
	Project Hope			0.09		
	S/NIS/C Admin & Program Support			0.07		
FY 1998 TOTAL		1	4	0.46	4.95	5.41
CUMULATIVE TOTAL		19	16	2.80	26.73	29.53

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO UKRAINE

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	9		0.70	19.30	
1992	Surface		54	0.24	2.20	
	Operation Provide Hope II (Food&Med.)			0.10	1.30	
				0.40		
FY 1992 TOTAL		9	54	1.44	22.80	24.24
1993	Airlift	5		0.39	3.60	
1993	Surface		255	1.83	19.50	
	Helping Hand & Open Curtain Grant			0.02		
	Counterpart Grant			0.01		
				1.15		
FY 1993 TOTAL		5	255	3.40	23.10	26.50
1994	Airlift	4		0.53	12.30	
1994	Surface		550	1.20	29.60	
	Counterpart Grant			0.35		
				0.50		
FY 1994 TOTAL		4	550	2.58	41.90	44.48
1995	Airlift	13		1.17	9.86	
1995	Surface		975	4.78	49.17	
	DoD Excess Hospital (Dontesk-Apr'96)			0.41	18.09	
	Counterpart Grant			0.08		
				4.25		
FY 1995 TOTAL		13	975	10.69	77.12	87.81
1996	Airlift	15		0.79	19.63	
1996	Surface		730	3.78	66.51	
				0.43		
FY 1996 TOTAL		15	730	5.00	86.14	91.14
1997	Airlift	6		0.28	8.08	
1997	Surface		372	1.96	41.36	
	Counterpart Grant			0.25		
				0.74		
FY 1997 TOTAL		6	372	3.23	49.44	52.67
1998	Airlift	8		0.35	5.67	
1998	Surface		224	0.93	33.85	
	Counterpart Grant			0.06		
	S/NIS/C Admin & Program Support			0.26		
FY 1998 TOTAL		8	224	1.60	39.52	41.12
CUMULATIVE TOTAL		60	3160	27.94	340.02	367.96

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO UZBEKISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical), grants and special projects. (Values are in millions of dollars.)

<u>FISCAL YR.</u>	<u>METHOD</u>	<u>FLIGHTS</u>	<u>CONTAINERS</u>	<u>TRANSPORT/GRANTS</u>	<u>CARGO VALUE</u>	<u>TOTAL</u>
1992	Airlift	12		1.12	9.58	
1992	Surface		0			
	Operation Provide Hope II (Food&Med.)			0.10	1.85	
	S/NIS/C Admin & Program Support			0.47		
FY 1992 TOTAL		12	0	1.69	11.43	13.12
1993	Airlift	4		0.31	4.68	
1993	Surface		3	0.03	0.16	
	S/NIS/C Admin & Program Support			0.17		
FY 1993 TOTAL		4	3	0.51	4.84	5.35
1994	Airlift	1		0.14	1.29	
1994	Surface		33	0.21	1.81	
	S/NIS/C Admin & Program Support			0.08		
FY 1994 TOTAL		1	33	0.43	3.10	3.53
1995	Airlift	0				
1995	Surface		49	0.37	2.36	
	S/NIS/C Admin & Program Support			0.24		
FY 1995 TOTAL		0	49	0.61	2.36	2.97
1996	Airlift	2		0.10	5.60	
1996	Surface		45	0.36	3.25	
	S/NIS/C Admin & Program Support			0.04		
FY 1996 TOTAL		2	45	0.50	8.85	9.35
1997	Airlift	5		0.36	7.60	
1997	Surface		234	0.32	2.10	
	Counterpart Grant			0.04		
	DoD Excess Hospital (Tashkent-Sep'97)			1.05	13.03	
	S/NIS/C Admin & Program Support			0.53		
FY 1997 TOTAL		5	234	2.30	22.73	25.03
1998	Airlift	2		0.05	0.15	
1998	Surface		18	0.13	4.44	
	Counterpart Grant			0.09		
	S/NIS/C Admin & Program Support			0.06		
FY 1998 TOTAL		2	18	0.33	4.59	4.92
CUMULATIVE TOTAL		26	382	6.38	57.90	64.28

OTHER PROGRAMS

EURASIA FOUNDATION

Established in 1993 with a major grant from USAID, the Eurasia Foundation promotes democratic and market economic reform at the grassroots level in the twelve NIS countries. The Foundation is privately managed and field-driven; it has built its reputation on its ability to offer a quick and flexible response to needs identified by NIS organizations and for reaching areas often untouched by other Western donors. Its primary tool is an open-door grants program, but the Foundation also employs grant competitions targeting certain priority areas on a regional basis. In addition, the Foundation manages three projects designed to encourage more professional economic policy research, a more rigorous small business sector, and financially independent media. To date, the Foundation has raised more than \$15 million in private-sector funds, \$5 million of which was raised in FY 1998.

The Foundation works from its headquarters in Washington and its seven NIS regional offices in Kiev (Ukraine); Moscow, Saratov and Vladivostok (Russia); Tashkent (Uzbekistan); Tbilisi (Georgia); and Yerevan (Armenia). It also has branch offices in seven other cities, as well as local representatives in seven additional NIS cities. In FY 1999, the Foundation will expand its branch office in Almaty (Kazakhstan) into a regional office serving both Kazakhstan and Kyrgyzstan. Since its establishment, the Foundation has awarded more than 3,500 small grants. In FY 1998 alone, the Foundation awarded over 1,000 grants totaling over \$19 million, more than 95 percent of them directly to NIS organizations and the remaining balance to U.S.-NIS partnerships. The average grant size in FY 1998 was approximately \$18,000.

In FY 1998, the Foundation's grants generally fell within eight program areas:

Business Development: The Foundation supported the growth and development of private business sectors in the NIS, particularly small businesses. Foundation grants supported such initiatives as training and counseling for entrepreneurs, information dissemination on topics of importance to businesses, development of business associations, trade and export promotion, and legal and policy reforms aimed at improving the environment for private business.

Business Education and Management Training: The Foundation supported long- and short-term training in the NIS in business and management. Projects included development of teaching programs in universities and secondary schools, development of curricula and teaching materials, and training for managers in specific industries such as banking, real estate and agribusiness.

Economics Education and Research: The Foundation supported economics education and research programs designed to improve economic policy-making in the NIS. Activities supported by the Foundation included faculty training and development, development of curricula and teaching materials, policy-related economic research and public economics education.

Electronic Communications: The Foundation supported programs that helped ensure a free flow of information to NIS citizens through easy and affordable access to the Internet. The Foundation supported programs which provide access to the Internet for non-profit organizations, develop new on-line resources in NIS languages, provide training for users and administrators of Internet services, and produce resource materials on information available through the Internet.

Independent Media: The Foundation helped increase the financial and editorial independence of NIS media organizations, train journalists and editors, analyze and reform press laws and examine policy issues relating to media freedom.

NGO Development: The Foundation awarded grant in support of a strong and independent "third sector" of non-governmental organizations (NGOs) which help build democracy by providing citizens with a forum for collectively voicing their views. Some of these NGOs help lessen the pain of economic transformation by providing alternative

vehicles for the delivery of critical social services. The Foundation supported programs which advance NGO financial sustainability, philanthropy, and help create an enabling environment for NGO development.

Public Administration and Local Government Reform: The Foundation supported projects aiming to improve management capacity at the national, regional and local levels (with a particular emphasis on local government reform), explore innovative directions in the delivery of public services, promote regional economic development and expand mechanisms which provide feedback from the population to governing bodies.

Rule of Law: The Foundation supported programs which promote the rule of law in the NIS, including the developing of progressive legislation in areas covered by Foundation's mandate, promoting basic civil rights before the law, encouraging public participation in the legislative process, improving access to information on laws, regulations and decrees, and supporting alternative means of dispute resolution.

In addition to its grant-making activities, the Foundation continued to take the lead in mobilizing private and government resources to address critical needs not being met by other assistance programs. The Foundation currently manages three special initiatives that leverage significant amounts of private and government support:

The Small Business Lending Program (SBLP): Working through local banks, the Foundation provides loans of up to \$100,000 to small and medium-sized businesses, for terms of up to two years. The SBLP provides much-needed capital to the fledgling private sectors in the participating countries and intensive, hands-on training to participant bank lenders in credit analysis and collection methodology. The program currently has representatives in Armenia, Russia and Ukraine. The SBLP disbursed loans totaling more than \$1,900,000 in FY 1998. Since its inception in 1995, the SBLP has helped create more than 1,000 jobs in these three countries.

Economics Education and Research Consortium (EERC): The EERC was created to improve economic policy-making through programs aimed at raising the level of the economics profession in Russia and Ukraine. In Ukraine, the EERC supported the development of a master's-degree economics program at the University of Kyiv-Mohyla Academy. The first class of twenty students graduated in FY 1998, and approximately 90 students are currently enrolled. In Russia, the EERC supported small research grants and a series of complementary activities which are helping to build a professional community of Russian economists. To date, approximately 100 grants have been awarded to support research in more than 60 projects. Consortium members include the Eurasia Foundation, the Soros-funded Open Society Institute, the Ford Foundation, the World Bank, the Starr Foundation, the Royal Ministry of Foreign Affairs of Norway, the Swedish Foreign Ministry, and the Pew Charitable Trusts. In FY 1998, the EERC also received support from the Government of Finland and the Citicorp Foundation.

The Media Viability Fund: The Media Viability Fund (MVF) is a joint effort of the Eurasia Foundation and the Soros-funded Media Development Loan Fund, with critical support from USAID. The MVF aims to strengthen the independent media through two mechanisms: (1) targeted, low-cost loans to newspapers and other media organizations for the acquisition of equipment, and (2) small grants for technical support, improved access to information and management training. Operating in Russia and Ukraine, the MVF is building the financial and institutional capacities of an independent media sector, and is increasing public access to information, thus leading to increased, better-informed citizen participation in political and economic decision-making.

PEACE CORPS

After the collapse of the Soviet Union, the Peace Corps was invited into eight of the NIS countries (Armenia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan) to help facilitate their transition to market-oriented democracies. In responding to these requests, Peace Corps volunteers (PCVs) have helped overcome the historically limited contact between U.S. and NIS communities, and have established and strengthened new bonds of friendship and cross-cultural understanding by addressing issues of mutual concern. PCVs have helped change the perceptions of their NIS host communities and counterparts regarding the United States and the American people, and after returning home from their Peace Corps experience, they have also helped educate Americans about the people of the NIS countries.

Promoting Small Business Development: After the Soviet command economy collapsed, many businesses were unable to adapt to free-market conditions, due to a limited understanding of market principles. While several of the NIS countries have made considerable strides in adapting to a market-based economic system, economic reform efforts throughout the NIS have been frustrated by a lack of understanding at the individual and institutional levels regarding the basic assumptions, structures, and skills required to operate in a free-market economy. To make matters worse, many of the region's economies continue to suffer greatly from unstable monetary systems, industries that rely on antiquated technologies, and inconsistent legal and business practices that discourage local and foreign investment. The need for tangible business skills at the grassroots level—the level at which PCVs focus their activities—is evident in the establishment of numerous local entrepreneurial associations and the widespread demand for free-market business education in NIS secondary schools, universities and institutes. PCVs are working on economic development and business education projects, and are disseminating information about new economic laws to entrepreneurs and local businesses. PCVs work with a variety of institutions, including business advisory centers, local governments, educational institutions, non-governmental organizations, and local community business associations.

Teaching English as a Foreign Language: The demand for English language training remains strong in the NIS, as it becomes increasingly clear that integration into the global economy will require a cadre of English-speaking professionals who can access the wealth of technical and scientific information available in English. With Russian declining as the primary language studied throughout the region, English language instruction has become a high priority. Unfortunately, many students are unable to study the English language due to a shortage of qualified English teachers. Peace Corps host countries are seeking to improve the overall quality of their education systems by changing outdated methods of teaching and introducing modern technology and materials in the classroom.

Environmental Protection: Among the legacies of the Soviet era is a degraded and polluted environment. Large portions of NIS air, water and land resources are contaminated. Clear-cutting of the forests, unlimited use of natural resources, and industrial, chemical and nuclear pollution are causes of local, regional and international concern. The economic hardships that have occurred during the transition to market-based economies have placed tremendous pressure on the NIS governments to pursue development policies that maximize short-term economic gains without regard to environmental conservation. Meanwhile, environmental organizations are hindered in their attempts to address these problems by inadequate access to technical information and limited knowledge of potential funding opportunities. PCVs are working to help reverse these trends by helping raise public awareness of environmental issues and concerns (especially through the school system), protect national and community parks, improve access to environmental resources, and encourage local environmental restoration projects. PCVs have conducted environmental programs, including Earth Day-related activities, throughout the region, with thousands of students and community members participating in public awareness campaigns, clean-up projects, tree-planting efforts and environmental summer camps, which also provide an opportunity to improve English language skills and learn about American culture.

Strengthening Non-Governmental Organizations: The government-provided social safety net that existed under the Soviet system, especially pension and health care programs, has collapsed and has not yet been replaced with fully functioning systems. As a result, the need for well-managed non-profit and non-governmental organizations has become more acute than ever. PCVs are supporting the development of environmental groups, local chambers of commerce, and parent-teacher associations to address needs that governments often cannot meet.

Moldova, Russia, Ukraine

In 1998, the Russian economic crisis hampered the Russian, Ukrainian and Moldovan Governments' ability to provide adequate financial support to areas such as English-language education and environmental protection. To help address these varied needs, Ukraine, Russia and Moldova have asked for Peace Corps' assistance in disseminating practical business information, building new civic institutions such as non-profit organizations, revitalizing education, and protecting the environment.

The Russian banking crisis also impacted PCVs' activities and living allowances, as well as the administrative functions of the Peace Corps' offices in the NIS. In order to insure the safety and security of PCVs, Peace Corps

staff monitored local markets on a daily basis and adjusted PCV living allowances in accordance with market fluctuations. The Peace Corps' staff set up telephoning networks up to maintain almost daily contact with its PCVs and worked with the U.S. Embassy in Moscow to ensure access to cash for its offices in Moscow and Vladivostok.

In Ukraine and Moldova, PCVs have provided recently privatized businesses and new entrepreneurs with technical advice through training seminars and one-on-one counseling. PCVs have also helped introduce local youth to basic business concepts by establishing Junior Achievement programs.

The Caucasus and Central Asia: Armenia, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan

In Armenia and Central Asia, the transition to free-market economies has been difficult because of slow progress on privatization legislation and a lack of general business expertise among entrepreneurs. These countries are looking to the West to help strengthen their economic structures, provide training in Western management to local professionals, and improve outdated technical resources. The ability to communicate in English is also viewed as vital to the region's development. In addition, a growing public concern in the region is the degradation of the environment and its relationship to public health.

Since the Peace Corps first established programs in Armenia and Central Asia in 1991, approximately 3,000 Americans have served as PCVs in communities throughout the region. As of the end of FY 1998, more than 300 PCVs were supporting the social and economic transitions in these countries. The PCVs were connecting business leaders and community innovators to U.S. and international funding organizations, developing curriculum reforms for English teachers, and linking their counterparts with programs that bring citizens from Armenia and Central Asia to the United States for training.

Strengthening Education: Although education is a high priority for these countries, most schools have inadequate teaching staff, outdated textbooks, and limited resources to teach English. PCVs address these needs by teaching English to students and by enhancing the ability of local instructors to teach English language classes. The education-related activities of PCVs extend beyond traditional classroom teaching. PCVs in Kazakhstan, Uzbekistan, and Kyrgyzstan have introduced new teaching techniques, established libraries and resource centers for students and teachers, and have taken a leading role in local community activities through English-language radio and television programs, summer camps and theater productions.

Promoting Business Development: In Armenia, PCVs are working with Armenian entrepreneurs and other international development organizations to establish business development centers (BDCs) around the country, which will provide a nation-wide network to promote economic opportunities. At Karshi State University in Uzbekistan, PCVs have developed curricula, organized internships for university students, and developed country-specific business education materials.

Women's Health-Care Reform: PCVs are making important contributions to the economic and educational advancement of women in the region. Female PCVs serve as role models for opportunities, ideas and initiatives, and have conducted workshops to motivate young girls and encourage them to continue their education. Maternal and child health care remains a serious problem in the rural parts of Central Asia. To help respond to this need, PCVs in Turkmenistan are working in curriculum development and training to improve the skills of local medical workers.

Opportunities for Growth: The Peace Corps has increased significantly the numbers of PCVs in Armenia and Central Asia in order to strengthen its existing efforts in business development, environmental conservation and education. With a shift in health practices in some Central Asian countries from traditional curative care to prevention and education, the Central Asian countries are the focus of the main increase in PCVs and new health education initiatives for the next two to three years. PCVs will continue to work to strengthen non-governmental organizations and local community business associations and assist in the creation of networks to promote business opportunities. As the Caucasus and Central Asian countries realize that they must rely primarily on their own efforts to implement concepts of sustainable development in environmental education, management and protection, PCVs will continue to work with community groups and school students to raise public awareness and devise creative solutions to critical environmental problems. Additional resources will be used to expand the

number of PCVs to meet the increased demand for English teachers. Also in FY 1999, the Peace Corps will begin laying the groundwork for a Peace Corps program in Georgia.

PEACE CORPS SMALL PROJECT ASSISTANCE (SPA) PROGRAM

The SPA Program awards small grants in support of PCV-implemented projects that help strengthen civic organizations, small businesses, educational institutions and NGOs. In addition to the grants, technical assistance funding has also bolstered host-country skills in the areas of community development and project design and management. Since the NIS Small Project Assistance (SPA) Program began in FY 1996, over \$732,000 has been expended to help build capacity at the grassroots level. In FY 1998 alone, over 100 SPA grants totaling over \$326,000 were made in the eight participating countries.

SPA Expenditures by Country

	FY 1998 SPA Grant Expenditures	FY 1998 Total SPA Expenditures¹	FY 1996-98 Cumulative Expenditures
Armenia	\$36,212	\$36,212	\$76,826
Kazakhstan	\$40,000	\$47,462	\$75,978
Kyrgyzstan	\$5,656	\$7,856	\$15,869
Moldova	\$35,000	\$39,600	\$70,193
Russia-Moscow	\$57,989	\$57,989	\$118,526
Russia-Far East	\$39,821	\$45,403	\$82,002
Turkmenistan	\$23,425	\$25,325	\$89,050
Ukraine	\$77,190	\$77,190	\$179,971
Uzbekistan	\$11,105	\$14,770	\$24,190
TOTALS	\$326,398	\$351,807	\$732,605

¹Total includes SPA grant funds, as well as funding for technical assistance.

Summary of SPA Grants

As in the past, the majority of SPA-funded activities in the NIS region were in the area of education in FY 1998. With SPA support, many schools, NGOs and communities are enhancing their educational resource centers by upgrading libraries and learning laboratories to include computer and audio-visual equipment. SPA-funded computer equipment is providing Internet access, allowing students and teachers to acquire new instructional materials and to network with other learning institutions at both the national and international level. SPA resources also strengthen educational opportunities by supporting construction and renovation of schools and community resource centers. In addition to supporting education, PCVs also used SPA funds to improve health and sanitation, strengthen NGOs, foster environmental education, and contribute to youth development and girls education. Summaries of FY 1998 SPA grants by country are provided below:

Armenia: 16 grants were awarded in the following areas: education (11), agriculture (1), environmental education (1), business development (1), water/sanitation (1), and health care (1).

Kazakhstan: 16 grants were awarded to support the development of educational and entrepreneurial resource centers, environmental education programs, and summer youth camps.

Moldova: 10 grants were awarded in the areas of education and youth development (3), agriculture (1), environment (1), health (1), women in development (1), NGO support (1) and business development (2).

Western Russia: 37 grants were awarded in education (31), environment (1), NGO support (3), and youth development (2).

Russian Far East: 18 grants were awarded in the areas of education and resource center development (10), girls education (1), environment (2), health care (1), and youth development (4).

Turkmenistan: 4 grants were awarded to support the development of educational resource centers and summer camps.

Uzbekistan: 6 grants were awarded in education (5) and business development (1).

U.S. SUPPORT FOR INTERNATIONAL FINANCIAL INSTITUTIONS

In addition to bilateral assistance from the United States and other donors, the NIS countries continued to draw upon the support of international financial institutions (IFIs) in FY 1998. The three international financial institutions most active in the region—the International Monetary Fund (IMF), the World Bank and the European Bank for Reconstruction and Development (EBRD)—have played a key role in the response to the financial crisis which began in Russia in August 1998. Until the crisis, 1998 GDP growth was expected to average six percent in the region, with average inflation rates in the single digits. The crisis is threatening these gains, and support for reform policies throughout the region is at risk.

The International Monetary Fund (IMF)

In the years following the dissolution of the Soviet Union, most NIS countries successfully stabilized their economies with the help of short-term financial assistance and policy advice from the IMF. IMF resources have encouraged NIS countries to undertake needed structural reforms, reduce inflation, avoid balance-of-payments problems, and lay the foundations for economic growth. In order to receive IMF financial support, the NIS countries have agreed to implement economic reform programs. Disbursed in tranches, IMF loans are conditional on the observance of reform-oriented economic criteria. In addition to financial assistance, the IMF administers an extensive technical assistance program in the NIS. The IMF also works closely to coordinate its programs with those of other international financial institutions such as the World Bank and European Bank for Reconstruction and Development (EBRD).

Since its *de facto* default on government-issued securities in August 1998, the Russian Government has been unable to meet one of the financial targets in its 1998 IMF-supported economic program. The IMF, World Bank and EBRD continue to work with the Russian Government to help it put together an appropriate economic program to deal with the crisis. Russia's continuing inability to stabilize its financial situation has had a profound impact on other economies in the region. Russia's neighbors have experienced downward pressure on commodity prices, reduced exports to Russia, weakened financial institutions, and other contagion effects including an increase in the cost of capital to both governments and private borrowers. The IFIs have responded with additional program, advice and assistance to other FSU countries affected by the crisis.

European Bank for Reconstruction and Development (EBRD)

The EBRD was formally established in March 1991 to support market-oriented economic reform and democratic pluralism in Central and Eastern Europe, including the NIS. All 12 NIS countries are EBRD members. The EBRD is unique among multilateral development banks in its private-sector focus and inclusion of political conditionality, which requires beneficiaries to be committed to democracy and the rule of law. According to its charter, the EBRD is required to devote 60 percent of its total resources to private-sector projects within five years of Bank start-up. As of December 31, 1997, 76 percent of the EBRD's loans were made to the private sector.

Russia's financial crisis has had a profound impact on the EBRD's bottom line. As of September 30, 1998, the EBRD had made total provisions of ECU 326.4 million* against loans, mainly in Russia. Operating profits before provisions were ECU 183.7 million, yielding a net loss of ECU 142.7 million at the end of September 1998. The EBRD will continue to be guided by its operations priorities, which were reaffirmed by its Governors at the 1998 Annual Meeting: (1) supporting the transition process, and (2) working in all countries of operations. The EBRD's new president, Horst Koehler, has publicly stated that the EBRD will continue to work in Russia, despite the country's continuing economic crisis.

Through the end of December 1997, the EBRD's total cumulative commitments were ECU 10.2 billion. Of these, ECU 4.3 billion were to NIS countries, with Russia as the largest borrower. Russia's total cumulative commitments at the end of 1997 were ECU 2.6 billion. This figure does not include ECU 4.0 billion in regional projects, a number of which benefit the NIS as well.

CUMULATIVE EBRD BOARD APPROVALS TO NIS
THROUGH DECEMBER 31, 1997
(millions of ECU*)

	<u>VALUE</u>	<u>NUMBER</u>
Armenia	86	3
Azerbaijan	111	5
Belarus	155	6
Georgia	68	7
Kazakhstan	212	3
Kyrgyzstan	126	8
Moldova	138	9
Russia	2556	78
Tajikistan	9	2
Turkmenistan	132	4
Ukraine	508	19
<u>Uzbekistan</u>	<u>382</u>	<u>11</u>
Total	4,483	155

* As of December 31, 1997, one ECU equaled approximately \$1.04. Totals for individual countries reflect cancellations of previously approved projects and exchange rate variations. They represent approvals by the Board, not actual signed commitments or disbursements, which are lower.

U.S. CONTRIBUTIONS TO THE EBRD

FY 1991	\$70 million
FY 1992	\$69 million
FY 1993	\$60 million
FY 1994	\$0
FY 1995	\$69 million
FY 1996	\$70 million
FY 1997	\$12 million
<u>FY 1998</u>	<u>\$36 million</u>
TOTAL	\$386 million

The United States has a 10-percent share in the EBRD and is its largest single shareholder. U.S. contributions to the EBRD for its initial capital contribution were to be paid in five annual installments of \$70 million each. Except for FY 1991, appropriations fell short of the \$70 million, leaving the United States with arrears of more than \$80 million after the five-year period. These arrears were fully cleared in FY 1997.

In early 1996, the EBRD Board of Governors approved a doubling of the EBRD's total capital (paid-in plus callable) from ECU 10 billion to ECU 20 billion. This increase should put the Bank on a self-sustaining basis, with no future capital increases envisioned. In FY 1998, the United States began payments for the capital increase at a rate of approximately \$36 million per year over eight years.

International Bank for Reconstruction and Development (IBRD)
International Development Association (IDA)

The IBRD and IDA, which are part of the World Bank Group, provide project and adjustment lending (balance-of-payments support based on policy reform) to developing countries. Poverty reduction and sustainable development are the central objectives of the IBRD's activities. The IBRD lends at near-commercial rates, while IDA provides credits to the poorest countries at highly concessional rates. Based on relative poverty and creditworthiness criteria, Tajikistan is eligible to borrow only on IDA terms; while Armenia, Azerbaijan, Georgia, Kyrgyzstan and Moldova are eligible for both IDA and IBRD terms. The other NIS countries are eligible only for IBRD terms.

During the World Bank's FY 1998 (July 1, 1997 through June 30, 1998), the IBRD and IDA approved \$3 billion in loans to the NIS. Russia's August 1998 default on government-issued securities will have a significant impact on FY 1999 IBRD and IDA lending throughout the NIS. The Bank considers implementation of economic reforms to be more important than ever, and will continue to provide support to countries actively pursuing reform programs.

IBRD AND IDA COMMITMENTS
(in millions of dollars)

<u>Country</u>	<u>Cumulative Total (through 6/98)</u>	<u>FY 1998</u>	
		<u>IDA</u>	<u>IBRD</u>
Armenia	414.7	134.5	0.0
Azerbaijan	289.7	90.0	0.0
Belarus	170.2	0.0	0.0
Georgia	373.0	110.4	0.0
Kazakhstan	1,503.6	0.0	545.0
Kyrgyzstan	438.5	65.0	0.0
Moldova	163.7	70.9	0.0
Russia	9,791.5	0.0	1,628.6
Tajikistan	86.9	19.9	0.0
Turkmenistan	89.5	0.0	0.0
Ukraine	2,221.8	0.0	216.4
<u>Uzbekistan</u>	<u>379.0</u>	<u>0.0</u>	<u>127.0</u>
TOTAL	15,922.1	490.7	2,517.0

U.S.-ISRAEL COOPERATIVE DEVELOPMENT RESEARCH (CDR) PROGRAM

The USAID-funded U.S.-Israel Cooperative Development Research (CDR) Program was established in 1985 to support joint applied research projects involving Israeli scientists and their counterparts in developing countries, allowing them to work on significant problems facing developing countries. In 1992, a special initiative (CDR/CAR) extended the program to Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan and Georgia. This initiative is focused on research in arid-land agriculture—an area of Israeli strength and particular need in Central Asia—and includes projects in water management and environmental protection, as well as agronomy and livestock management.

The CDR/CAR Program has the following six objectives: 1) to help maintain the scientific communities in Central Asia and Georgia, 2) to provide financial and technical support for research directed towards the basic needs of the region's inhabitants, 3) to expose the NIS scientific community to the Western-style system of competitive institutional grants, 4) to utilize Israeli expertise and practical scientific methods, primarily in the management of science and technology in improving agriculture, 5) to establish multiple independent links between the people of this historically Muslim region and Israel, and 6) to link the formerly isolated scientific community of the region with the world scientific community. Like the rest of the CDR Program, CDR/CAR does not stress the economic development of Israel; rather, it emphasizes areas in which Israeli research interests and expertise are particularly valuable to the participating countries.

Since 1993, the CDR/CAR Program has awarded nearly 60 research grants of up to \$150,000 each, not including the considerable matching funds provided by Israeli research institutions. Projects were chosen from proposals jointly authored by Israeli and host-country scientists, and selections were made by USAID on the advice of peer review panels composed of U.S. scientists. American scientists are eligible to participate in CDR/CAR projects as funded third partners.

The CDR/CAR Program reported a number of technical achievements in FY 1998, including the demonstration of sustained tomato production without pesticides by using a biological control agent, diagnosis through PCR of important bacterial fish pathogens to prevent dissemination of diseases in fish farms, the delineation of recharge and pollution sources of groundwater for a safer and better-managed water system, successful use of polyacrylamide in improving water infiltration and controlling rill and furrow erosion to improve yields, development of a method for obtaining virus-free potato plantlets for propagation, identification of a method for the photo-catalytic degradation of key synthetic organic pollutants, the development of a brucellosis control program through animal vaccination, the simulation of groundwater balance in the Chu River Basin for better groundwater management, the development of biological and chemical systems for control of field dodder (a serious plant pest), engineering resistance to Potato Virus Y in tomato and potato plants, improvement of sheep production, and the protection of post-harvest grain against insect pests using B.t. bacterial strains.

In addition to these important technical discoveries, the CDR/CAR Program continued to provide valuable links to the otherwise-isolated scientific communities in Central Asia and Georgia by funding research equipment, international travel, periodicals, and access to electronic mail. The training of students from the region, both in their home countries and in Israel, is a key component of nearly every CDR grant. The program has also provided many participating institutions with their first exposure to competitive, Western-style research grants, and as a side benefit, creating an impetus for banks in the region to establish accounts and transfer procedures more consistent with modern practices.

U.S.-ISRAEL COOPERATIVE DEVELOPMENT PROGRAM (CDP)

The USAID-supported U.S.-Israel Cooperative Development Program (CDP) was established in 1988 to fund the delivery of Israeli technical assistance and training to address a broad range of developing-country assistance requirements for which Israeli expertise is particularly well-suited. In 1992, a special initiative extended CDP program operations to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, and to Georgia in 1993.

The CDP funds assistance projects jointly programmed by the Government of Israel through MASHAV (the development assistance unit of the Israeli Ministry of Foreign Affairs) and USAID. The program is implemented by MASHAV as part of its own foreign assistance portfolio. Given Israel's expertise and experience, the principal focus of the program is agriculture and related areas, with an emphasis on soil and water management, intensive livestock husbandry and vegetable production, irrigation systems management, and farm management. The program has been implemented primarily through training courses, consulting, and demonstration farms. More recently, the CDP has emphasized agricultural economics and the development of sustainable private sector enterprises. The total FY 1998 budget for CDP activities in Central Asia and Georgia was approximately \$2.2 million, with USAID contributing two thirds and MASHAV contributing one third of the total.

In FY 1998, a total of 115 USAID-funded trainees attended seven agricultural production courses in Israel. In addition, five in-country agricultural training courses were held throughout the region. A total of 18 short-term consultants provided advice in the areas of agriculture (veterinary practices, milk production, agricultural economics, fish production), health (Hepatitis B, mother/child care, health surveying), and municipal administration. In addition, eight USAID-supported agricultural experts served long-term assignments on demonstration farms.

The CDP's emphasis on dairy production continued in FY 1998. Accomplishment included the adoption by local farmers of CDP demonstration farm practices, such as improved dairy cow diets using locally available inputs, emphasis on high-value products with local demand such as cheeses and yogurts, and privately owned dairy

processing units serving groups of independent individual farmers, as an alternative to sole reliance upon state-run enterprises.

In keeping with the program's increased emphasis on privatization and the economic feasibility of agricultural practices and technologies, the CDP opened three agribusiness centers in the region in FY 1998 (in Kazakhstan, Kyrgyzstan and Georgia) staffed with local professional coordinators to assist private farmers with their business plans and to provide them with information on markets and technologies.

PROGRAM FOR RESEARCH AND TRAINING ON EASTERN EUROPE AND THE NIS (TITLE VIII)

In 1983, the U.S. Congress passed the Research and Training for Eastern Europe and the Independent States of the Former Soviet Union Act (Title VIII), which was designed to reverse the decline in the number of U.S. experts on these regions by providing stable, long-term financing on a national level for advanced research; graduate area studies and language training (both U.S.-based and in-country); public dissemination of research data, methods and findings; and contact and collaboration among governmental and non-governmental specialists.

The Title VIII Program operates under the guidance of an advisory committee chaired by the Department of State and consisting of representatives of the Secretaries of Defense and Education, the Librarian of Congress, and the presidents of the American Association for the Advancement of Slavic Studies (AAASS) and the Association of American Universities. Under the program's two-stage award process, the Department of State conducts an annual open competition among national organizations with interest and expertise in administering research and training programs in the NIS and Central European fields.

The following is a list of FY 1998 Title VIII grant recipients for NIS-related projects, including the amounts and purposes of their awards:

American Councils on International Education/ American Councils of Teachers of Russian (ACIE/ACTR)

- Grant: \$371,830 (\$300,000 NIS; \$71,830 Eastern Europe)
- Purpose: To support 64 graduate students, post-doctoral fellows and junior faculty members in Russian, Eurasian or Central European studies for advanced on-site language training and research;

Institute of International Education (IIE)

- Grant: \$120,000 (\$60,000 NIS; \$60,000 Eastern Europe)
- Purpose: To support 15 Professional Development Fellowships for young professionals in fields related to public service and civil policy in the NIS and Eastern Europe;

International Research and Exchanges Board (IREX)

- Grant: \$925,000 (\$600,000 NIS; \$325,000 Eastern Europe)
- Purpose: To support individual advanced research opportunities, short-term travel grants, grants for special projects in library and information services, and policy forums;

National Academy of Sciences (NAS)

- Grant: \$195,000 (\$98,000 NIS; \$97,000 Eastern Europe)
- Purpose: To support four Young Investigator programs and 20 grants for a program on governance in post-communist societies, focusing on science and democratization, organized crime, terrorism and weapons of mass destruction;

National Council for Eurasian and East European Research

- Grant: \$1,273,800 (\$900,000 NIS; \$373,800 Eastern Europe)
- Purpose: To support the Research Contract and Fellowship Grant Programs, as well as Policy Research Fellowships for junior postdoctoral scholars;

Social Science Research Council

- Grant: \$770,000 (\$750,000 NIS; \$20,000 Eastern Europe)
- Purpose: To support a national fellowship program for dissertation completion and post-doctoral research, and a competition for grants to U.S. institutions offering intensive training in NIS languages;

University of Illinois at Urbana - Champaign

- Grant: \$126,519 (\$95,000 NIS; \$31,519 Eastern Europe)
- Purpose: To provide support for the University's Summer Research Laboratory and the Slavic Reference Service.

Woodrow Wilson Center for International Scholars

- Grant: \$742,851 (\$480,000 NIS; \$262,851 Eastern Europe)
- Purpose: To support research scholarships, short-term grants, research fellowships and internships, meetings and outreach publications of the Kennan Institute for Advanced Russian Studies and the East European Studies Program.

NATIONAL SCIENCE FOUNDATION (NSF) - EASTERN EUROPE PROGRAM

NSF's Eastern Europe Program supports cooperative research projects and workshops with the NIS through grants awarded to U.S. scientists and engineers in all fields supported by NSF (science, engineering, mathematics and education). The grants include support for travel, lodging and per diem, and modest infrastructure supplements for the NIS partners. Approximately 98 percent of this support is for cooperation with Russia, with the remaining two percent for cooperation with other NIS countries.

The goals of the Eastern Europe Program are as follows: (1) to closely integrate program activities with the research priorities of the NSF's disciplinary divisions; (2) to invest boldly in innovative, unique and sometimes high-risk new projects with a potential for significant benefits to the U.S. research community; (3) to provide access for U.S. researchers to broad geographic and natural resources as well as technical strengths and

facilities in the region; (4) to use diverse funding mechanisms to maximize program effectiveness; and, (5) to promote the establishment in partner countries of merit-based mechanisms and institutions to support basic research and to encourage shared funding of cooperative research projects with NSF.

Priorities and Challenges: In FY 1998, the program's research priorities were the support of research in "cutting-edge" fields (in which cooperative opportunities continue to evolve), advanced materials (a demonstrated areas of expertise in the region), computer science and information technologies, environmental science, studies capitalizing on the current regional transformation (including transitions to democracy and market economies), and education research (to examine reasons for the disparity in U.S. and NIS middle school performance in math and science).

The program faces two special challenges:

- ensuring continued access to unique research sites, collections, data and facilities. Researchers may require transportation to remote sites, waivers of unreasonable fees for access, or special clearances. These were largely obtained, although some U.S. researchers in Russia's Arctic and Far East experienced difficulties; and
- increasing cost-sharing and leveraging funds to support cooperative research projects. Sharp cuts in science funding within the region have affected support for basic research. The program is exploring ways to leverage funds from other sources (within NSF and other U.S. Government agencies) and is encouraging its foreign partners to do so in their own countries. NSF has a particularly successful partnership with the Russian Foundation for Basic Research, which shares costs for joint projects in Arctic research and for the participation of junior researchers and students in cooperative projects.

In FY 1999, NSF will continue to support cooperative research projects and workshops, emphasizing cutting-edge fields, access to geographic sites and databases, and premier research institutions throughout the NIS. Special attention will be focused on cooperation with NIS countries other than Russia that offer special expertise or opportunities to U.S. researchers.

Program Accomplishments: In FY 1998, the NSF's Eastern Europe Program supported approximately 80 new collaborative research projects and workshops with the NIS. To date, it is estimated that approximately 400 researchers have participated in the program's awards, including those administered by the National Academy of Sciences. Of these, approximately 150 were junior researchers and students. Recent examples of cooperative projects include the following: robotics in construction and environmental restoration (Russia), adaptive sonar sensing for robotics (Ukraine), volcanoes and earthquakes on the Kamchatka Peninsula (Russia), design of new magnetic materials (Russia), the role of elections in democratic transformation (Russia), geodynamics of mountain building in the Tian Shan Mountain Range (Kyrgyzstan, Kazakhstan), and digital libraries (Russia).

NSF has funded a series of activities in the NIS through the American Association for the Advancement of Science (AAAS) designed to bolster proposal writing and grant management skills among NIS researchers, and to strengthen links between U.S. and NIS professional societies. In FY 1998-99, AAAS activities include proposal writing workshops in Yerevan and Novosibirsk, a grant management workshop in Yerevan, work by NIS fellows with AAAS professional societies, and travel grants for NIS women scientists.

NSF plays a leading role in the Science and Technology (S&T) Committee of the U.S.-Russian Joint Commission on Economic and Technological Cooperation. The Director of the NSF has served as the vice chair of the S&T Committee. NSF staff work closely with the Office of Science and Technology Policy (OSTP) to set the Committee's agenda. Cooperation has developed with the Russian Ministry of Science and Technologies in high-performance computing, digital libraries and networking. Other NSF programs carried out under the auspices of the Committee include the Baikal Drilling Program and the Observational Seismology Program. Arctic research has also been added to the S&T Committee's agenda.

NSF's Eastern Europe Program also works in tandem with the U.S. Civilian Research and Development Foundation (CRDF). Over the past two years, this partnership has implemented a new program for U.S. and Russian postdoctoral researchers and students which enables them to participate in current CRDF-funded

projects. The program is supported by NSF and the Russian Foundation for Basic Research (RFBR) under the framework of an NSF-RFBR memorandum of understanding signed in 1997.

The Eastern Europe Program's special arrangement with the Office of Central Europe and Eurasia (OCEE) at the National Academy of Sciences (NAS) has been successful in promoting research partnerships with the NIS countries. This is done through short-term project development visits, fellowships and "twinning programs" designed to develop partnerships with countries that are underrepresented in NSF awards. Current twinning programs are focusing on Georgia and Ukraine.

IV. ASSESSMENTS OF PROGRESS IN MEETING THE STANDARDS OF SECTION 498A OF THE FOREIGN ASSISTANCE ACT OF 1961

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

ARMENIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The Armenian Government's proclaimed aim is to build a parliamentary democracy as the basis of its form of government. However, progress toward democracy and the rule of law remains slow and incremental. The Armenian constitution was adopted by referendum in July 1995, coincident with the election of a transitional 190-member legislature. The Parliamentary elections and Constitutional referendum were called "generally free but not fair" by international observers, who cited polling deficiencies, lack of cooperation by the Electoral Commission and failure to register some opposition parties and candidates. However, observers also noted that several opposition parties and candidates were able to mount credible campaigns and proper polling procedures were generally followed. Current President Robert Kocharian took office in April 1998, after elections that the OSCE characterized as falling short of the OSCE standards to which Armenia has committed itself. Armenia's previous presidential election in 1996 also fell short of the OSCE standards. Among the irregularities noted in 1998 were ballot box stuffing, discrepancies in the vote count, and the presence of unauthorized persons at polling stations. Parliamentary elections tentatively are scheduled for the spring of 1999.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Privatization in the agriculture and housing sectors has been extensive, with 94 percent of arable land privatized and about 70 percent of the formerly state-owned housing stock privately owned. Privatization of businesses is proceeding at a slower pace, but has received aggressive support from the Kocharian administration. The current government has successfully initiated a program to privatize the largest state enterprises, despite considerable opposition in parliament.

Armenia is working to establish legal and institutional frameworks that will facilitate further economic development and foster an environment attractive to foreign investment. A liberal foreign investment law was approved in 1994. Armenia has concluded a trade agreement (which enables it to receive MFN status and incorporates intellectual property rights provisions), an OPIC agreement, and a bilateral investment treaty with the United States. Armenia is laying the legislative and administrative foundations for an early entry into the WTO. Armenia has also expressed interest in negotiating a tax treaty, and is receiving U.S. technical assistance in revising its tax structure. Armenia has joined the International Monetary Fund and the International Bank for Reconstruction and Development.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Armenian constitution, adopted in 1995, contains broad human rights protections, but implementation has been inconsistent. The constitution grants national minorities the right to preserve their cultural traditions and languages, and current law specifically provides linguistic minorities the right to publish and study in their native tongues. Armenia has ratified important international human rights treaties and shown a willingness to engage in international and bilateral discussions regarding human rights. Continuing concerns are warranted regarding the independence of the judiciary, the functioning of the legal system, and police treatment of detainees. The beating of pretrial detainees remains a routine part of criminal investigations. New legal and judicial codes, designed to comply with most international human rights norms, were enacted in mid-1998 and are scheduled to take effect in January 1999. The constitution provides for the right to practice the religion of one's choice, but current laws grant special status to the Armenian Apostolic Church. Only the Armenian Apostolic Church may proselytize. All religious denominations and organizations must register with the state Council on Religious Affairs, and funding from sources outside Armenia is prohibited for non-apostolic faiths. The Religious Council does not allow Jehovah's Witnesses to register as a religious denomination, claiming that illegal proselytism is integral to their activities. As of September 1998, seven Jehovah's Witnesses were in jail for refusal to serve in the military,

and another 20 were in hiding. The constitution provides for freedom of the press, but the government exercises some restrictions on the media. Official censorship is not practiced, but journalists commonly engage in self-censorship to avoid problems with authorities. The climate of media freedom is improving. There were no restrictions on the media during the 1998 presidential election. Non-governmental media often criticize the country's leaders and government policies. Independent local newspapers and radio and television stations are increasing in number. Public demonstrations usually take place without government interference. To redress human rights abuses, President Kocharian created a Human Rights Commission in April 1998 and appointed Soviet era dissident Pyrrair Hairikian to head it. Shortly after assuming office, Kocharian also lifted a 1994 ban on the Armenian Revolutionary Federation (Dashnak) party and effected the release from prison of several Dashnak leaders. The government does not restrict internal or international travel, although men of military age face bureaucratic obstacles to foreign travel or emigration.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Armenia has failed to observe international law and obligations, as well as OSCE commitments, in this respect as a result of the continuing conflict over Nagorno-Karabakh. Because of the conflict, Armenian military forces occupy some areas of the territory of Azerbaijan. The Government of Armenia continues to observe the cease-fire that has been in effect since May 1994, and participates actively as a party within the OSCE Minsk Process, an initiative aimed at resolving the conflict over Nagorno-Karabakh.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The OSCE created the Minsk Group in spring 1992 as the forum for a peaceful, negotiated resolution to the conflict over Nagorno-Karabakh. The Government of Armenia continues its participation in the OSCE peace process. Direct dialogue between the Armenian and Azerbaijani Governments was suspended in late 1996 and has not yet been reestablished. The Minsk Group process, however, continues to hold the promise of achieving an agreed resolution.

Section 498A(a)(6): "implement responsible security policies, including--"

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

The CFE Treaty was ratified by the Armenian Parliament in July 1992. Armenia has provided data on armaments as required by the CFE Treaty, and has hosted on-site inspection teams to verify its reports. Nevertheless, to date, Armenia's fulfillment of its CFE obligations has been uneven. Based upon its declared receipt of Treaty-limited equipment (TLE) from the Soviet Union, Armenia has improperly notified a reduction liability of zero, when the proper liability should be 159 armored combat vehicles (ACVs). Although it has notified an improper reduction liability, Armenia did conduct one notified reduction event for 18 ACVs. In addition, Armenia has claimed combat losses on its border with Azerbaijan of 76 ACVs and notified the transfer of another 67 ACVs from its conventional armed forces to internal security forces. However, neither battle losses nor transfers to internal security forces are recognized in the Treaty as a legitimate means to meet a reduction liability. In addition to the reduction concerns, the Armenian data submissions as of 17 November 1995 and 1 January 1996 show Armenian holdings in armored infantry combat vehicles to exceed its declared limits by 33. At the CFE Review Conference in May 1996, Armenia signed the CFE Flank Agreement and committed to be in compliance with all limitations not later than May 31, 1999. We are also concerned by reports of Armenian support for the transfer of former Soviet TLE to separatist forces in Nagorno-Karabakh. At the December 1996 Lisbon summit, Armenia agreed to a three-step process to address this issue.

Armenia acceded to the Nuclear Non-Proliferation Treaty (NPT) as a non-nuclear-weapons state on July 15, 1993. The United States and other Western governments have discussed efforts to establish effective export control systems with Armenia. Armenia is a state party to the Chemical Weapons Convention (CWC) and the Biological Weapons Convention (BWC), which seek to eliminate chemical and biological weapons, respectively.

We have received occasional reports of transfers potentially related to proliferation of weapons of mass destruction involving Armenia, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period. Armenia is in the process of establishing a WMD-related export control system derived from international standards and has cooperated with the U.S. and others toward this goal.

Armenia is not a significant exporter of conventional weapons, but it has provided substantial support, including materiel, to separatists in the Nagorno-Karabakh region of Azerbaijan.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Armenia faces serious environmental problems. Water pollution caused by industrial wastes discharged into rivers has contributed to a serious decline in public health. Armenia's major freshwater source, Lake Sevan, has a declining water level due to hydroelectric generation. Overuse of the country's forests and poor irrigation and water management practices have led to increased soil erosion and loss of arable land. The Government of Armenia, however, has taken some steps to establish public policy mechanisms to address environmental issues, including the establishment of a Ministry of Environment. Environment action plans are being developed with the assistance of the World Bank. National environmental NGOs are gaining access to the policy-making process on environmental issues. Armenia has shown an interest in regional cooperation on environmental issues, and has agreed to the establishment of a coordination and information-sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Armenia does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Armenia is a party to the 1973 Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons and the 1979 Convention on the Physical Protection of Nuclear Materials.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In September 1993, Armenia signed an agreement with Russia transferring Armenia's share of the former Soviet Union's debt to Russia in exchange for its share of FSU assets.

Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S. - Russia Joint Commission on POWs/MIAs that was established in March 1992. The U.S. side of the Commission visited Armenia in August 1993 to expand contacts with Armenian officials and to visit the crash site of a C-130 that was shot down over Armenia in 1958. The delegation received much support from the people and officials of Armenia, who cooperated during the investigation.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Armenia is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

ARMENIA

Section 498A(b)(1): Has the President determined that the Government of Armenia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While there have been some serious shortcomings in human rights observance (as discussed above), we do not believe that the Government of Armenia is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Armenia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Armenia has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Armenia "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We periodically receive reports potentially related to Armenian transfers of material, equipment or technology that could contribute to the ability of countries to manufacture weapons of mass destruction. We carefully review these reports in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period.

Section 498A(b)(4): Is the Government of Armenia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of Armenia is prohibited from receiving assistance under these sections.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Armenia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Armenia under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

Armenia is not providing assistance for, or engaging in non-market-based trade with, the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

AZERBAIJAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Azerbaijan made some progress in 1998 toward creation of a democratic system of government but significant problems remain. The president's party continues to dominate the government and the multi-party, 125-member parliament. Judges do not function independently of the executive branch. In regard to the October 1998 presidential election, there were improvements over the 1993 and 1995 elections in Azerbaijan, including changes to the presidential election law. Domestic as well as international monitors observed the election process. Nonetheless, international observers found that the overall process, including irregularities in the ballot count fell short of international standards. An active and independent media exists and press censorship was officially abolished in 1998, but periodic government harassment continues. An active political opposition also exists, and there are over 30 political parties registered, although the government declined to register several other parties.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The conflict in Nagorno-Karabakh has had a negative impact on the economy and complicated economic policy decision-making. However, the government has taken some positive steps on structural economic reform, including strict monetary and budgetary policies enacted in 1995, the restrictive budget passed by the parliament in 1996, and the elimination of consumer subsidies on gasoline and bread. The government has also taken steps toward privatization. In 1996, the parliament passed a land law allowing private ownership of land. In 1997 it began the long-awaited mass privatization program.

Azerbaijan has joined the IMF, EBRD, and IBRD, and it concluded an OPIC agreement, an Eximbank Project Incentive Agreement, a bilateral trade agreement and bilateral investment treaty with the United States (the bilateral investment treaty is not yet in force). Azerbaijan has MFN status.

The IMF approved a \$46 million Systemic Transformation Facility loan in April 1995 and followed with a \$92 million one-year Standby Agreement (SBA) in November 1995 to consolidate stabilization and accelerate structural reforms. The IMF approved a three-year \$211 million program to strengthen structural reforms necessary for sustained economic growth. Macroeconomic performance is meeting program targets. Progress on structural reforms, while initially slower than expected, has begun to accelerate.

Section 498A(a)(3): "respect for internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

While believers of other traditional faiths practice their religions without restrictions or sanctions, Armenian churches in Azerbaijan remain closed. In 1996, the parliament passed a law that prohibits religious proselytizing by foreigners. The government also denied registration to a foreign Christian group, but has allowed it to continue to function. Non-Orthodox Christian groups have complained of harassment.

The government respects the right of freedom of emigration. The remaining Armenian population in Azerbaijan is approximately 10-20,000, mostly people of mixed descent or involved in mixed marriages. There is no government policy of discrimination against Armenians, who are free to travel. There are strong anti-Armenian feelings among the general population. In addition, low-level officials seeking bribes often harass members of minorities wishing to emigrate.

Police often detain and arrest persons without charges, and often beat suspects. There are approximately 100 people under arrest for politically motivated charges. The government suspended the death penalty in 1998.

Opposition political parties staged a number of demonstrations during and after the elections. Most were peaceful, but several resulted in violence. In November, the government banned three demonstrations, and the parliament passed a new law regulating public assemblies.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Azerbaijan has reiterated its commitment to the observance of international legal obligations and OSCE commitments in the area of human rights. It has also reiterated its commitment to seek a peaceful resolution of the Nagorno-Karabakh conflict. At the same time, the Nagorno-Karabakh conflict continues, and both sides have committed violations of international humanitarian laws. The parties to the conflict continue to observe a cease-fire that has been in effect since May 1994. In 1998, the OSCE Minsk Group co-chairs' renewed efforts to obtain the parties' agreement on a set of principles to serve as the basis for further negotiations toward a resolution of the conflict.

In 1998, the parties also continued to release persons being held in connection with the Nagorno-Karabakh conflict; others remained in detention. The ICRC continues its efforts to visit and obtain the release of those held in connection with the conflict.

In 1998, with the agreement of the Azerbaijani and Armenian Governments, the U.S. Government funded a humanitarian needs assessment of Azerbaijan, including Nagorno-Karabakh.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The OSCE created the Minsk Group in spring 1992 as the forum for a peaceful, negotiated resolution to the conflict over Nagorno-Karabakh. The Government of Azerbaijan participates fully in the OSCE peace process. In 1998, the OSCE Minsk Group co-chairs renewed efforts to obtain the parties' agreement on a set of principles to serve as the basis for further negotiations toward a resolution of the conflict.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Azerbaijan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Azerbaijani actions to support this commitment include ratification of the Nuclear Non-Proliferation Treaty. Azerbaijan was one of the original signatories of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, but has not yet ratified the Convention. Azerbaijan has not signed the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on Their Destruction.

The Azerbaijani Government ratified the Conventional Forces in Europe (CFE) Treaty in July 1992, but its fulfillment of Treaty obligations has been uneven. Although generally implementing the Treaty's notification and inspection provisions, Azerbaijan failed to follow Treaty procedures in declaring a proper reduction liability or reducing its Treaty-limited equipment (TLE) down to its maximum permitted levels.

Azerbaijan has submitted Confidence and Security Building Measures (CSBM) annual data declaration for 1997 and has willingly undergone CSBM inspections in accordance with the Vienna Document 1994.

We do not believe that Azerbaijan has engaged in the proliferation of nuclear, chemical, or biological weapons, their delivery systems, or related technology. Azerbaijan has made progress in establishing a system of nonproliferation export controls and has taken steps to thwart transit of controlled items to countries of concern. Azerbaijan is not a significant exporter of conventional weapons.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Oil development, air and water pollution, and urban/industrial pressure on the land have created serious challenges. Deterioration and erosion of soil and salination of agricultural lands contribute to extensive soil loss, as does the heavy use of fertilizers and pesticides.

Poor air and water quality contributes to increasing public health risks. The rising level of the Caspian Sea and the prospective development of the Caspian for oil and other resources will bring new, serious environmental challenges.

New laws passed to address environmental problems and use of natural resources are based on laws in effect in the West. Funding is problematical and inadequate to meet the breadth of problems that exist. The National Environment Committee

seeks to use the schools, information organizations, and the media to educate the populace. Green organizations and a Green party push environmental issues. Efforts to overcome the environmental obstacles in Azerbaijan will benefit from resolution of the Nagorno-Karabakh conflict and the resultant redirection of resources to the task.

The United States, the European Union and four host nations (Russia, Ukraine, Moldova and Georgia) are participating in the establishment of independent, non-profit, and non-political Regional Environmental Centers (RECs.) The mission of each REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Azerbaijan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. It has taken an active role in the fight against terrorism. Azerbaijan is not a party to any of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. All of the non-Russian NIS have signed protocols with Russia under which Russia either will pay the debt in return for the assets or will take on management responsibility.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, which was established in March 1992. The Commission met with Azerbaijani officials in June 1996, and the Azerbaijani Government pledged its cooperation with the Commission's efforts.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Azerbaijan is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

AZERBAIJAN

Section 498A(b)(1): Has the President determined that the Government of Azerbaijan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While there have been serious shortcomings in human rights observance, we do not believe that the Government of Azerbaijan is engaged in a pattern of gross violations of human rights or of international law.

Section 498A(b)(2): Has the President determined that the Government of Azerbaijan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Azerbaijan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Azerbaijan "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Azerbaijan in 1998.

Section 498A(b)(4): Is the Government of Azerbaijan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Azerbaijan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Azerbaijan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

Azerbaijan is not providing assistance for, or engaging in non-market-based trade with, the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

BELARUS

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Belarus failed in 1998 to make progress toward developing a democratic, rule-of-law based system. Since his election as President in 1994, Aleksandr Lukashenko has steadily concentrated power in his hands. In November 1996, Lukashenko engineered a "referendum" to amend the constitution. The Belarusian Constitutional Court ruled the referendum unconstitutional. The flawed and undemocratic political process surrounding it was publicly condemned by the United States, the European Union, the Troika of the Organization on Security and Cooperation in Europe (OSCE), and the Parliamentary Assembly of the Council of Europe. After the referendum, President Lukashenko replaced the sitting parliament with a handpicked bicameral legislature, which is based on the revised constitution and is not recognized by the United States, the European Union, OSCE or the Council of Europe. In addition, the President augmented his powers at the expense of the legislature and judiciary and extended his constitutional five-year term by an additional two years. The amended constitution gives the President wide latitude to rule by decree.

Conditions for open political dialogue and for free and fair elections ceased to exist in Belarus in 1996. Opposition political parties and independent business interests that support them are routinely harassed by law enforcement authorities and subjected to arbitrary and excessive fines or penalties by administrative authorities. The right of peaceful public assembly is severely restricted or often denied outright; public demonstrators are frequently detained, fined and intimidated. The government heavily controls the national media and restricts and harasses the independent media. The number of apparently politically motivated arrests increased in 1998, and security forces were implicated in the beating of political opponents, including minors, independent journalists, detainees, and prisoners. There were fewer public displays of force in 1998 than in the past, but the government increasingly relied on more subtle forms of pressure, including imposition of arbitrary taxes or fines, arbitrary arrest, cancellation of leases and/or eviction from leased premises, administrative restrictions, and manipulation of the judicial process to intimidate and harass opposition and independent groups.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

With the exception of small-scale privatization, the Government of Belarus made no meaningful progress toward introducing market economic reforms during 1998. It again failed to implement the reforms agreed to with the International Monetary Fund in September 1995. Privatization has been limited to small enterprises. Massive state credits at negative interest rates to targeted sectors of the economy, coupled with price and currency controls, led to a collapse of the Belarusian ruble in the spring and steady devaluation, despite artificial exchange rates, during the rest of the year. The IMF and the World Bank have issued no new credits for Belarus this year. The World Bank has approved no new lending to Belarus since 1995 and has closed its office in Belarus. The European Bank for Reconstruction and Development is not pursuing any public sector projects in Belarus. In 1997, the Overseas Private Insurance Corporation paid its first claim in the NIS in Belarus, the result of "creeping expropriation." It has ceased insuring businesses in Belarus demanding that the Government of Belarus adequately address the issue of compensation.

A 1993 trade agreement between Belarus and the United States, in which Belarus succeeded to the terms of the earlier Soviet agreement, extends reciprocal most-favored-nation status and contains intellectual property rights provisions. A Bilateral Investment Treaty (BIT) was ratified by the Belarusian Parliament in October 1995 and received the advice and consent of the U.S. Senate in June 1996. But as the political situation deteriorated in late 1996, the United States decided to delay indefinitely its entry into force. EXIM and TDA activity in Belarus remain suspended due to the poor investment climate.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Belarusian Government's human rights record deteriorated further during 1998, particularly regarding respect for civil liberties. Restrictions on freedoms of speech, press and peaceful assembly continued, and the government did not respect freedom of association. Prolonged detention and delays in trials were common. The security services infringed the privacy rights of citizens and closely monitored the activities of opposition politicians and other segments of the population. Government security agents frequently harassed human rights advocates. Worker rights continued to be restricted by government authorities. Under threatened loss of privileges under the U.S. Generalized System of Preferences, the government allowed an independent trade union and an independent trade union congress to register.

According to official data, the state did not deny any citizens permission to emigrate in 1998. Ethnic tensions have not troubled Belarus.

The constitution provides for freedom of religion, however, the government restricts this right in practice. Citizens are not prohibited from proselytizing, but foreign missionaries may not engage in religious activities outside of the institutions that invited them. Only religious organizations already registered by the state may invite foreign clergy. Cases of apparent discrimination have been called to the attention of religious constituents in the U.S. and human rights groups. The government accords preferential treatment to the Orthodox Church and prohibits foreigners from conducting religious services and distributing religious material.

The rights of minorities, generally, appear to be respected in Belarus. Societal anti-Semitism exists but is not usually manifested openly, although senior government officials and the state media have occasionally used coded anti-Semitism in attacking political opponents. Despite these difficulties, several local Jewish communities have successfully reclaimed synagogues and other properties.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

As a result of the Belarusian Government's failure to adhere to its human rights commitments under the Helsinki Final Act, the OSCE undertook to establish an Advisory and Monitoring Group (AMG) in Minsk to assist the Government of Belarus in fulfilling its human rights obligations. After much resistance, the Government of Belarus permitted the AMG to open in February 1998 with a mandate to monitor the human rights situation and advise the government. Although government authorities have participated in a dialogue with the AMG on these issues, the government has not adopted any of the legislative or administrative measures suggested by the AMG nor improved its human rights record. Its relationship with the political opposition, despite AMG efforts, remains half-hearted and non-constructive.

In June 1998, the Government of Belarus violated the principle of inviolability of diplomatic missions under the Vienna Convention on Diplomatic Relations (VCDR) by evicting the U.S. and other countries' ambassadors from their diplomatic residences. The pretext for their eviction was that utility repairs were necessary. The government subsequently terminated all access to the properties and declared the area a "presidential territory." The United States, the European Union and other countries recalled their ambassadors, sent their Belarusian counterparts home and took other measures in protest. As of November 1998, the dispute remains unresolved.

The Belarusian Government's military doctrine is in accord with the OSCE principles on the inviolability of borders and non-interference in the internal affairs of other states. Belarus rejects war as a means of settling disputes. Its constitution declares Belarus a non-nuclear and neutral state. Steps toward integration with Russia, including increasing coordination of foreign and defense policies, did not diminish Belarus' national sovereignty or threaten the sovereignty of neighboring states. The CFE States Parties have agreed to allow Belarus until April 1999 to complete its required conversions of armored combat vehicles. Belarus continued negotiations with Baltic countries toward definition of common borders and repatriation.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Belarus is not involved in ethnic or regional conflicts and has supported the Commonwealth of Independent States and OSCE as conflict-resolving mechanisms. Belarus is only a conditional member of the CIS Collective Security Agreement; its constitution prohibits the stationing of foreign troops in Belarus and the deployment of Belarusian troops abroad.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Belarus has formally declared its acceptance of all relevant arms control obligations of the former Soviet Union. It has ratified the START I Treaty. In October 1995, Belarus resumed destruction of weapons mandated by the CFE Treaty. By August 1996, it brought its Treaty-Limited Equipment (TLE) holdings into compliance with established limits. Belarus has indicated its intentions to conclude a full-scope safeguards agreement with the IAEA. Belarus participates in discussions on implementing the INF and START treaties as a successor state to the Soviet Union. All former Soviet tactical nuclear weapons were removed from Belarus by May 1992, two months ahead of the announced deadline. Also in May 1992, Belarus signed a letter accompanying the Lisbon Protocol to START I promising to eliminate all strategic offensive arms located in Belarus. On November 27, 1996, the last nuclear missiles and warheads were transferred from Belarus to Russia, well ahead of the seven year START deadline. Belarus has been a participant in the Standing Consultative Commission in discussion and formally acceded to the ABM Treaty on September 26, 1997. On September 24, 1996, Belarus signed the Comprehensive Nuclear Test-Ban Treaty at the UN General Assembly.

However, in late 1997, after Belarus failed to utilize Nunn-Lugar assistance for destruction of its SS-25 launch pads, that assistance project was terminated. The launch sites will remain START-accountable until they are destroyed. Other CTR assistance was suspended in 1997 because of human rights concerns. In 1998 President Lukashenko publicly expressed regret over the removal of nuclear weapons from Belarus.

Belarus has reduced the size of its armed forces and related expenditures to legitimate levels. Belarus has stated its intention to convert its defense industry to civilian production but lacks the funds to do so quickly.

Belarus is a party to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, and to the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction.

We do not believe that Belarus has engaged in the proliferation of nuclear, biological, or chemical weapons or related technology. However, Belarusian entities in 1998 have reportedly continued selling to foreign countries MAZ truck chassis (items not on any international control list) that can be modified to make mobile missile launchers.

In 1998, Belarus continued to be a leading conventional arms exporter as it sold off excess Soviet-era equipment. It reported certain of the transfers in the United Nations Register of Conventional Arms Transfers, including 1996 transfers of attack helicopters and tanks to Sudan. Moreover, an increasing number of reports of Belarusian transfers or potential transfers of conventional weapons to state-sponsors of terrorism have been received. These reports are being carefully reviewed in light of our legal obligations under the various proliferation sanctions laws. No lethal military equipment transfer sanctions were imposed on Belarus during the reporting period.

By a presidential decree on December 4, 1997, Belarus formalized its Moratorium on the Export of Anti-Personnel Landmines, which it had observed in practice since August, 1995.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Belarus has taken positive steps to address international environmental concerns by establishing ministries of energy, forestry and water resources, and land reclamation. It has also established state committees on the consequences of the Chornobyl accident, the ecology, and the supervision of safety procedures in industry and the nuclear power industry. Belarus suffered considerably the brunt of the effects of the Chornobyl disaster and has actively sought U.S. assistance in cleaning up areas contaminated by radiation.

Air and water pollution problems of varying degrees of seriousness plague Belarus. Rivers are considered "moderately polluted" from industrial and agricultural sources. Some land reclamation efforts, undertaken in the name of economic development, have contributed to severe ecological problems in the Polesye region. Belarus has set up a Committee of the Council of Ministers on Emergency Situations, on the Consequences of the Chornobyl Disaster, and the Environment to oversee and coordinate environmental protection efforts undertaken by individual ministries.

Several non-governmental organizations (NGOs) and foundations continue to deal with the Chornobyl aftermath. The authorities have closed some of these organizations or their programs maintaining that they have violated financial regulations. Belarus possesses the human and natural resources to gradually address the environmental challenges facing the country. Sufficient political will and a willingness to take the steps necessary to facilitate international funding would help to sustain progress in environmental restoration and protection.

Section 498A(a)(8): "deny support for acts of international terrorism."

Belarus does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Belarus is a party to seven of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring that they were jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics, including Belarus, signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. The December 1991 agreement provided that Belarus' share of the debt of the former Soviet Union would be 4.13 percent. In 1992, Russia sought to replace the "joint and several liability" principle by seeking full liability for the debt in return for all the external assets. In July 1992, Belarus signed a "zero option" agreement with Russia under which Russia will pay Belarus' share of the debt in return for its share of the assets.

Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in Belarus is conducted through the U.S.-Russian Joint Commission on POWs/MIAs established in March 1992. Beginning in 1997, however, U.S. officials held several meetings directly with Belarusian officials toward establishing a bilateral agreement. A projected June 1998 visit was cancelled due to diplomatic fallout from the Belarusian Government's eviction of ambassadors from their residences. The Government of Belarus has expressed a desire to cooperate with in this matter, but deteriorating relations has delayed conclusion of an agreement for cooperation and access to archival materials.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Belarus is not providing military, economic, nuclear, or other assistance to the Government of Cuba. Given all information at hand, all trade is believed to occur on market terms.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

BELARUS

Section 498A(b)(1): Has the President determined that the Government of Belarus has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law?"

No. The President has not made such a determination at this time. However, as discussed above, we continue to have serious concerns about the Belarusian Government's human rights record.

Section 498A(b)(2): Has the President determined that the Government of Belarus "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union?"

No. We do not believe that the Government of Belarus has failed to take such actions. However, the Belarusian Government's decision not to destroy the SS-25 launch pads, despite provision of USG assistance, may in the future require us to conduct inspections of the sites under START terms. We are concerned about the implications of President Lukashenko's statements regarding the removal of nuclear weapons from Belarus.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Belarus knowingly transferred to another country:

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determined that the material, equipment, or technology was to be used by such country in the manufacture of such weapon?"

No such determinations were made with respect to Belarus in 1998.

Section 498A(b)(4): Is the Government of Belarus "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Belarus "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government?" If so, has the President taken action to withhold assistance from the Government of Belarus under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We have no information that the Government of Belarus has provided such assistance.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

GEORGIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Georgia has made progress toward, and is committed to the comprehensive implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections. The Georgian parliament adopted a new constitution in August 1995. Presidential and parliamentary elections were held on November 5, 1995 in all areas except those under the control of Abkhazian and South Ossetian separatist forces that refused to support the process. The central government has stated that representatives from these districts will be elected immediately following resolution of these regional conflicts. International observers stated that, except for problems in the autonomous region of Ajaria, the elections were conducted in a manner consistent with democratic norms.

The government held local elections in November 1998, though the central government will continue to appoint some local officials, including the mayors of Georgia's major cities.

The parliament elected in November 1995 has passed significant legislation instituting legal, institutional and procedural reforms supportive of rule of law, individual freedoms and representative government.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Following several years of disastrous performance resulting from civil war, trade disruptions and weak monetary and fiscal policies, Georgia's economic policies and performance have improved significantly during the past two years. Accomplishments include a significant reduction in the inflation rate, transition to a stable national currency, elimination of most price and enterprise subsidies, liberalization of domestic and external trade, reduction in public employment, new banking, bankruptcy, and investment laws, and accelerated privatization. Real GDP growth for Georgia in 1997 was 11.3 percent, but is expected to be a little less than 10 percent in 1998. The economic crisis in Russia has adversely affected Georgia's economy and is a precipitating factor in its inability thus far to meet IMF conditions for continued financial support. Georgia's macroeconomic performance is deteriorating; the government has not adequately addressed its budget deficit and government debt has ballooned. The Georgian Government and IMF continue discussions on economic reform requirements, which Georgia has been lagging in implementing.

In spring 1997, the government announced a second round of structural, legal and organizational reforms, which are needed in order to attract foreign and domestic investment. Parliament adopted a new tax code and a new customs code in 1997. Remaining state monopolies, particularly in the energy and communications sectors, are expected to be privatized. In 1998, Georgia began to privatize its energy distribution system and expects to privatize its energy generation system by 2000. Small-scale privatization is virtually complete and 76 percent of medium- and large-scale enterprises has been privatized. About 55 percent of cultivated land has been distributed to private farmers, but further progress on land reform and privatization will help Georgia to realize its growth potential.

Georgia is a member of the IMF, World Bank and EBRD. An agreement on bilateral trade relations with the United States, which provides mutual MFN treatment and contains intellectual property rights provisions, came into force in August 1993, and a bilateral investment treaty entered into force in August 1997. An Overseas Private Investment Corporation agreement has been in force since 1992, and Georgia has submitted a letter to the United States Trade Representative requesting status under the Generalized System of Preferences (GSP). Negotiations to join the World Trade Organization are underway and proceeding apace.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government's human rights record improved over the past year. Guided by the constitution, which includes significant commitments to human rights principles, in 1995 the parliament restructured the state human rights protection body to strengthen ombudsman functions and appointed a human rights ombudsman in fall 1997. In 1996, parliament passed legislation designed to strengthen the court system and increase judicial independence. There has been some progress in the area of allowing international monitors access to prisons and detainees, but some officials continue to impose restrictions on a case by case basis. Freedom of religion is unrestricted, as is the freedom of foreign and internal travel and emigration. While there has been improvement, some limitations on the press remain.

Despite government commitments to address these problems, abuse of detainees and prisoners by security and prison officials, deaths in custody, extremely harsh prison conditions, judicial corruption, denial of fair and expeditious trial, and arbitrary interference with privacy continue.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

While progress has been made toward the observance of international legal obligations and OSCE commitments in the area of human rights, the status of Abkhazia and South Ossetia, two separatist regions within Georgian territory, remains unresolved. The United States continues to work bilaterally and with the UN, the OSCE and other nations organized as the Friends of the Secretary General to encourage all parties to pursue a peaceful resolution of the Abkhazia conflict in a manner that safeguards both the territorial integrity of Georgia and the rights of individuals belonging to ethnic minorities. Unfortunately, sporadic violence continues, particularly in the separatist region of Abkhazia. Both Abkhaz separatists and ethnic Georgian partisans supportive of the central government are credibly reported to be involved in these incidents.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

President Shevardnadze has consistently stressed Georgia's commitment to negotiate a peaceful settlement to the conflict in Abkhazia. He has pledged to continue this approach despite Abkhazia's unilateral declaration of independence in November 1994 and subsequent demand that any settlement grant the region equal status with the government in Tbilisi. Negotiations under the auspices of the UN and facilitated by Russia continue. Direct bilateral talks intensified in 1998. Since 1992, an OSCE mission has been working in Georgia to facilitate a political settlement of the South Ossetia dispute. The Georgian Government has fully supported the mandate of the OSCE mission, which includes developing democratic institutions and encouraging respect for human rights throughout Georgia.

The Georgian Government and representatives of the Abkhaz separatist regime have cooperated with the UN and OSCE, which established a human rights office in Sukhumi, the capital of Abkhazia. The office monitors the human rights situation in the region and encourages practices consistent with international human rights standards.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Georgia has consistently made clear its commitment to achieving full implementation of the CFE Treaty, of which President Shevardnadze (as Soviet Foreign Minister) was a major architect. Georgia is in full compliance under CFE and has accepted CFE inspections of forces on its territory.

A twenty-five-year bilateral basing agreement that would allow Russia to maintain bases and military equipment on Georgian territory was initiated by the two parties in 1995, but has not yet been ratified by either the Russian or the Georgian parliament; the defense ministries of Russia and Georgia plan to review the issue. While Russia has provided some military assistance, the Georgian military remains ill equipped. Russian border forces currently control Georgia's border with Turkey, but turned over to the Georgians in mid-1998 the maritime border patrol responsibilities for the border facilities at the Black Sea ports of Batumi and Poti. The Government of Georgia has established as a priority the development of the indigenous ability to control its borders.

Georgia has not engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. Georgia acceded to the Nuclear Non-Proliferation Treaty as a non-nuclear-weapons state on March 7, 1994. Georgia has ratified the multilateral Chemical Weapons Convention, which calls for the eventual elimination of chemical weapons. We do not believe that Georgia has engaged in significant transfers of conventional weapons. In addition to

contacts with other Western governments, Georgia has closely engaged with the U.S. on cooperative efforts to establish an effective export control system. In 1998 Georgia adopted a new law on export controls, an important first step.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Georgia faces an array of environmental problems ranging from air and water pollution to deterioration of soils as a result of agricultural methods used under the Soviet regime. Deforestation is also a serious problem due to a continuing shortage of energy from conventional sources.

The Government of Georgia has taken some steps to put in place public policy mechanisms to address environmental issues, including establishment of a ministry of environment. A National Environmental Action Plan and a biodiversity strategy are under preparation. National environmental NGOs are gaining access to the policy-making process on environmental issues, and key parliamentary leaders, including the Chairman, are former leaders of the Green Party. Georgia has shown an interest in regional cooperation on environmental issues and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues. The United States, the European Union and four host nations (Russia, Ukraine, Moldova and Georgia) are participating in the establishment of independent, non-profit, and non-political Regional Environmental Centers (RECs.) The mission of each REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Georgia does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. President Shevardnadze continues to state publicly his support for stronger international measures to combat international and domestic terrorism, including that by separatist forces. Georgia is a party to three of the eleven international counter-terrorism conventions and intends to become a party to the other conventions as soon as possible.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement that assigned to each of the newly independent states a share of all the assets and foreign debt of the former Soviet Union (FSU). Georgia signed both the October and December 1991 agreements. The December 1991 agreement provided that Georgia's share of the FSU debt would be 1.62 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. Although Georgia has signed an agreement with Russia transferring Georgia's share of the FSU debt to Russia in exchange for its share of FSU assets (the so-called "zero option"), the Parliament has not ratified it and Georgia has proposed opening a new round of negotiations.

Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The Commission visited Georgia in May 1996 and met with President Shevardnadze and other high level officials who promised cooperation.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Georgia is not providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

GEORGIA

Section 498A(b)(1): Has the President determined that the Government of Georgia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No such pattern exists. Respect for human rights is declared policy and, in practice, most human rights are generally respected. There are continuing serious shortcomings, however, in regard to treatment of detainees and prisoners by police and prison officials. The government has prosecuted some officials responsible for such abuses, and the parliament is addressing the need for law enforcement reform.

Section 498A(b)(2): Has the President determined that the Government of Georgia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. While there were minor flaws in its implementation record in the first years after independence, Georgia has been a constructive and responsible participant in arms control undertakings.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Georgia "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Georgia in 1998.

Section 498A(b)(4): Is the Government of Georgia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Georgia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Georgia under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

The Government of Georgia does not provide assistance for or engage in non-market-based trade with the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KAZAKHSTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Kazakhstan is politically stable. Political power is concentrated heavily in the presidency. President Nursultan Nazarbayev, who was the head of the Communist Party in Kazakhstan prior to independence, has been his nation's only leader since the break-up of the Soviet Union. He strengthened his political grip in 1995 when he dissolved the parliament and stage-managed two Soviet-style referenda, both marred by serious irregularities. The first approved a new constitution that increased the power of the presidency at the expense of the legislature. The second extended his term in office until the year 2000. On October 8, Nazarbayev accepted Parliament's request to hold an early election on January 10, 1999, almost two years ahead of schedule. On November 30, only three candidates other than Nazarbayev were officially registered to run: a senator, the head of the State Customs Committee, and the head of the Communist party.

In accordance with amendments made in April to the election decree that prevent those with administrative convictions from the previous twelve months to run for election, two opposition candidates were determined to be ineligible to run for president in the January election because they had been convicted of attending an unsanctioned meeting and illegally organizing a demonstration. These restrictions call into question Kazakhstan's respect not only for political rights, but also for freedom of association. A third opposition figure withdrew after alleging the election was being rigged. A businessman dropped out because he could not pay the \$30,000 registration fee. In addition to restrictions on candidates' ability to qualify to run and meet with voters, access to the media has been restricted.

Other political institutions in Kazakhstan are weak. Parliament is dominated by the executive branch. Currently, it cannot initiate changes to the constitution or exercise oversight over the executive branch. Although it was less active in its September 1997 to June 1998 session, originating only four bills, compared to the previous session's 19, it did assert itself on budget, social and environmental issues. The parliament recently has begun to take its role as a potentially co-equal branch of government more seriously and has reached out for contact and advice to other national assemblies, including Congress. President Nazarbayev has explicitly encouraged these contacts. He declared on September 30 that Parliament would be given more authority as part of his program to enhance democracy in Kazakhstan. The judiciary is not independent. Judges are appointed by the executive branch, beholden to it, underpaid, and susceptible to corruption. There is no tradition of judicial independence.

A nascent Almaty-based political opposition is disorganized, undermined by rivalries and, when its leaders are not co-opted by the government, subject to harassment. The largest organized movement is the Communist Party, but its support is limited almost exclusively to pensioners. The opposition has a number of significant pocketbook issues on which to score the government, but has provided only limited alternatives. Economic dislocations are real, aggravated by budget deficits resulting from falling export prices. But demonstrations the opposition has been able to muster have been relatively small. Leaders of democratic opposition groups are widely seen as members of the "intelligentsia" not truly cognizant of working class travails.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Government of Kazakhstan has tried to create an attractive business climate for foreign investors, passing laws that in principle guarantee fair treatment and foster a more Western-style business environment and concluding a bilateral investment treaty with the United States. (The treaty entered into force in January 1994.) As a result, Kazakhstan attracted more than \$1.1 billion in direct foreign investment in 1996 and \$1.3 billion in 1997 -- mostly in the oil and gas sector. U.S. companies have invested more than \$1.7 billion, primarily in the oil, gas, and power generation sectors making the U.S. the largest foreign investor in Kazakhstan. Nevertheless, inadequate legal infrastructure, frequent tax changes, and cumbersome, often corrupt bureaucracy pose serious obstacles to foreign investors.

Over 80 percent of small enterprises in Kazakhstan have been privatized. In November, the government sold its shares in the East-Kazakhstan copper chemical combine, by far the largest trade on the stock exchange since it opened in September 1997. The government is prepared to sell its holdings in thirty-six second-tier small companies by the end of the

year. However, Ministry of Finance officials announced in November that the privatization of large "blue chip" companies would be delayed until 1999 or 2000. This lag has inhibited growth of an equities market where pension savings were to be channeled.

Kazakhstan is seeking to join the World Trade Organization (WTO). The U.S. Government has been providing technical assistance in Kazakhstan's accession process. The government assured the U.S. in November of its intention to submit to the WTO secretariat by March 1, 1999 necessary draft legislation on intellectual property rights, trade remedy laws, the Law on Customs, as well as all other draft legislation pertaining to WTO accession. Kazakhstan acceded to the Berne Convention on Intellectual Property in October.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Kazakhstan's human rights record is uneven. Democratic institutions are weak, and the legal structure does not fully safeguard human rights. Citizens enjoy in theory -- and more often than not in practice -- basic rights of freedom of religion, speech and assembly. Kazakhstan is in the process of reforming its legal system. A new criminal code was implemented in 1998. Human rights observers nevertheless assert that the legal system remains riddled by corruption. Law enforcement officials routinely exploit minor infractions of the law to arrest and detain government opponents and have also used such technicalities to harass foreign businessmen. Members of the security forces often beat or otherwise abuse detainees. Arrests can be arbitrary, and prolonged detention without charge is a problem.

The government sporadically infringes on citizens' rights to privacy. Kazakhstani authorities are believed to tap phones and monitor the correspondence of some members of the political opposition. The government or its allies have bought a number of previously independent newspapers, radio and television stations, and publishing and broadcast facilities. Journalists report that the government is exerting increasing direct pressure not to cover certain subjects, including Nazarbayev, his family, criticism of Nazarbayev initiatives, and political opponents. Freedom of association, while generally respected, is hindered by complicated registration requirements for organizations and political parties. Freedom of assembly is sometimes restricted; organizations must apply for official permits prior to staging a demonstration (most are granted), and some organizers of unsanctioned demonstrations have been arrested and fined or imprisoned.

The constitution includes substantial protections for individuals, including members of non-Kazakh ethnic groups. President Nazarbayev has publicly emphasized that all nationalities are welcome and entitled to equal treatment under the law. However, the government discriminates in favor of ethnic Kazakhs in the area of employment. Women, the disabled and ethnic minorities face considerable societal discrimination. The government has tried to limit the influence of independent trade unions, both directly and through its support for state-sponsored unions. Members of independent trade unions have been harassed. The Committee for National Security (KNS) has legal authority to deny permission to travel in and out of the country, but emigration is not hindered.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Kazakhstan has made a strong commitment to respect its international legal obligations and OSCE commitments. Kazakhstan is at peace with its neighbors and has defensive military forces that do not pose an offensive threat to the region. Kazakhstan is also a strong proponent of dialogue and cooperation among the states of the former Soviet Union. Kazakhstan is a member of the Partnership for Peace.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Kazakhstan supports regional and international efforts to resolve peacefully the conflicts in Tajikistan and Afghanistan. Kazakhstan is committed to establishing a multi-ethnic national identity and is sensitive to the concerns of the large ethnic Russian community in Kazakhstan.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Kazakhstan was one of the four NIS with nuclear weapons on its soil at the time of independence and the second NIS to accede to the NPT as a non-nuclear weapons state, doing so in February 1994. All nuclear weapons were removed from its territory by the end of April 1995. It has also ratified the CFE and START I treaties. Kazakhstan is a successor in START, INF, and ABM treaties and has been an active participant in their implementation by virtue of its representation on the respective implementation commissions, the JCIC, SVC and SCC. The government is also committed to maintaining a military force consistent with legitimate defense requirements. We do not believe that it has engaged in transfers of, or in the proliferation of, nuclear, biological, or chemical weapons, their delivery systems, or related technology. We have received occasional reports of transfers of conventional weapons to state sponsors of terrorism which we have brought to the attention of appropriate Kazakhstani Government authorities who have been generally cooperative; we review such reports carefully in light of U.S. sanctions laws. The government denounced India's and Pakistan's nuclear tests. The United States and Kazakhstan have established a regular consultative mechanism to address nonproliferation issues. Kazakhstan has passed an export control law and is developing implementing legislation. In November 1998, the government demonstrated the importance it places on non-proliferation by hosting a Regional Forum on Export Controls.

Kazakhstan is an original signatory to the Chemical Weapons Convention (CWC), but has not yet ratified it. Kazakhstan attended the Fifth Biological Weapons Convention review conference as an observer and is actively reviewing whether to accede to the treaty. Kazakhstan signed a full-scope IAEA safeguards agreement in July 1994, which entered into force in August 1995. Although Kazakhstan is not a member of the Nuclear Suppliers Group, it has expressed an interest in joining. We continue to work closely with the Kazakhstani Government in the dismantlement of weapons facilities at Semipalatinsk, the closing of test tunnels at Degelen, and the destruction of delivery systems, such as Soviet-era bombers. The U.S. and Kazakhstani Governments entered into an Agreement for the Peaceful Uses of Nuclear Energy on November 18, 1997, after Kazakhstan provided the requisite assurances of non-cooperation with proliferator states. The U.S. and the Government of Kazakhstan also signed a November 1997 agreement to work cooperatively to secure and store plutonium-bearing spent fuel from the Kazakhstani breeder reactor at Aktau. Our November 1998 bilateral Joint Commission session recognized the progress our countries have made in both projects.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Kazakhstan suffered severe environmental degradation under Soviet rule, and there is broad-based support for domestic protection of the environment. The government has shown an interest in regional cooperation on environmental issues and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues. It has taken some steps to establish public policy mechanisms to address environmental issues, including the establishment of a Ministry of Environment and the introduction, at least on an experimental basis, of a pollution fee system by which taxes are levied on air and water emissions and solid waste disposal, with the resulting revenues channeled to environmental protection activities. National environmental NGOs are gaining access to the policy-making process on environmental issues.

Kazakhstan has been an active and constructive player in regional and international efforts to alleviate the deteriorating environmental conditions and foster regional cooperation in the Aral Sea basin. In line with the Nukus Declaration of September 1995, President Nazarbayev is also president of the International Fund for Saving the Aral Sea. Kazakhstan has worked with the World Bank and international donors on a 15-20 year plan to stabilize the Aral Sea. These marine environmental protection talks will include discussion of development of the mineral resources of the Caspian seabed and use of the sturgeon population in a way that protects the Caspian ecosystem. The Government of Kazakhstan has also expressed support for the CITES treaty on protection of Caspian Sea sturgeon and discusses Caspian Sea environmental protection issues regularly with the other Caspian littoral states.

The United States Government and the European Union have agreed to work together to establish an independent, non-profit and non-political Regional Environmental Center (REC) to serve the countries of Central Asia. The mission of the REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making. Almaty, Tashkent and Bishkek all have been proposed as REC locations.

Section 498A(a)(8): "deny support for acts of international terrorism."

Kazakhstan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Kazakhstan took action in March to avert potential security threats to the U.S. Embassy in Almaty. At our bilateral Joint Commission session in November, our two governments pledged to collaborate in the fight against international terrorism and signed a joint statement on terrorism. Kazakhstan is a party to nine of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement that assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Kazakhstan signed both the October and December 1991 agreements. The December 1991 agreement provided that Kazakhstan's share of the FSU debt would be 3.86 percent. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In September 1993, Kazakhstan signed a "zero option" agreement with Russia under which Russia will pay Kazakhstan's share of the debt in return for its share of the assets. The April 1996 Paris Club arrangement states that Russia had informed the participating creditor countries that "zero option" agreements had been signed by Russia and each other NIS; the creditors "took note" that copies of these agreements had been provided.

Please see section 498(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The U.S. side of the Commission visited Kazakhstan in August 1994 and the Kazakhstani Government promised cooperation on the POW/MIA effort. The government has been cooperative with all related interviews conducted in Kazakhstan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

Kazakhstan is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KAZAKHSTAN

Section 498A(b)(1): Has the President determined that the Government of Kazakhstan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. Although the human rights record in Kazakhstan is imperfect (as discussed above), we do not believe that the Government of Kazakhstan is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Kazakhstan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. The Government of Kazakhstan has taken a significant number of such constructive actions (as discussed above), including ratification of START I. Kazakhstan deposited its instrument of accession to the NPT in 1994.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Kazakhstan "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We do not believe that the Government of Kazakhstan has made such transfers.

Section 498A(b)(4): Is the Government of Kazakhstan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of Kazakhstan is prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Kazakhstan "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Kazakhstan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30 day period?"

The U.S. Government is unaware of any Kazakhstani assistance to or non-market-based trade with Cuba.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KYRGYZSTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

President Akayev and his ministers have expressed strong commitments to human rights, democracy and the rule of law. Since gaining independence, Kyrgyzstan has made progress, with occasional setbacks, in these areas. In September 1995, Kyrgyzstan rejected a referendum to extend President Akayev's term of office, choosing instead an open presidential election on December 24 of that year. Although there were numerous complaints about opposition candidates' difficulty in the registration process, and three candidates were de-registered by the Constitutional Court, international observers characterized the election as free and generally representing the will of the people of Kyrgyzstan. Multi-party parliamentary elections held in early 1995 featured widespread irregularities, but international observers also concluded that the results generally represented the will of the people of Kyrgyzstan. A February 1996 referendum of dubious constitutionality significantly increased the power of the executive branch, primarily at the expense of the legislature. The referendum was marred by serious irregularities, including ballot stuffing. The judiciary is very weak and dominated by the executive branch. On October 17, 1998, the Government of Kyrgyzstan held a national Referendum which legalized the privatization of land, reformed the structure and privileges of parliament, strengthened freedom of speech and limited parliamentary immunity.

Convictions in 1995 and 1996 of several journalists and opposition campaign workers for defaming President Akayev raised concerns about the government's commitment to free speech, although all those convicted were subsequently released. In the fall of 1996, the Constitutional Court ruled that the election procedure of the speaker of the lower house of parliament was unconstitutional, an event which may represent a strengthening of the judiciary's role in government. There are numerous independent newspapers and magazines that are often critical of the government. In 1997, several journalists were prosecuted for libel of public officials and the government closed an opposition newspaper. While convicted of some charges, the journalists were released. In December the Kyrgyz parliament overrode a presidential veto of a new media law that restricted journalistic freedom. Attempts to make libel a civil, rather than a criminal charge were defeated in Parliament by a overwhelming majority. The October 1998 referendum resulted in language added to the Constitution that precludes Parliament from passing laws that infringe on free speech, but implementing legislation has not yet been developed.

The Kyrgyz Republic's constitution gives substantial guarantees of rights for its citizens, including members of non-Kyrgyz ethnic groups. Nevertheless, discrimination by ethnic Kyrgyz officials against non-Kyrgyz citizens, and promotion ceilings for non-Kyrgyz in government employment have remained complaints of the ethnic Russian and Uzbek populations despite efforts by President Akayev to mitigate the effects of Kyrgyz nationalism. The Government of the Kyrgyz Republic supports efforts to cultivate political activity by its citizens, and opposition groups are with rare exceptions free to organize and conduct political activities.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Kyrgyz Republic has made significant progress in restructuring its economic system and implementing legislation that will be the basis for a market economy. The Kyrgyz Republic introduced its own national currency, the som, in May 1993, which has given the Government greater control over its monetary policy. The parliament adopted favorable laws on privatization, joint ventures, foreign trade and investment and free economic zones. Most small and medium enterprises have been privatized. A trade agreement with the United States provides reciprocal most favored nation (MFN) status and contains IPR (intellectual property right) provisions. An Overseas Private Investment Corporation (OPIC) agreement is also in force. A bilateral investment treaty with the United States entered into force in January 1994. A bilateral tax treaty has been discussed, though negotiations have not begun. The Kyrgyz Republic is a member of the EBRD, IBRD, ADB and IMF. In August 1996 the Government of Kyrgyzstan submitted its Foreign Trade Memorandum in support of its application for accession to the WTO and will become the first NIS member of the WTO on December 20, thirty days after the November 20 deposit of the instrument of ratification of the protocol by the Kyrgyz parliament.

As the first of the Central Asian republics to embark on IMF-backed reform programs, the Government of Kyrgyzstan's commitment to reform started early and has deepened. The IMF provided approximately \$44 million in 1997 in support of the government's economic and structural reform program as the Government of Kyrgyzstan begins the third year of its

three-year enhanced structural adjustment facility (ESAF). The World Bank funded two projects worth \$65 million in 1998, and cumulatively has funded 15 projects worth \$438.5 million. The economic reform efforts of Government of Kyrgyzstan were singled out for praise at the October 1996 Consultative Donors' Group in Tokyo, where donors pledged over \$450 million in financial support for 1997. In 1995 Kyrgyzstan became the first NIS to commit itself to avoid imposing any restrictions on payments for current international transactions and avoid engaging in multiple currency practices or discriminatory currency arrangements.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Internationally recognized human rights are generally respected in Kyrgyzstan. President Akayev has sought to reassure ethnic minorities while simultaneously trying to satisfy Kyrgyz aspirations for greater national identity. The new constitution includes substantial protection for individuals, including members of non-Kyrgyz ethnic groups. Concerns remain about ethnic discrimination, but in general the situation for minorities has improved, and emigration has decreased.

While press freedom and freedom of speech generally respected, 1997 witnessed the arrest of a number of journalists on criminal libel charges. Several of these journalists served some jail time, but most were either immediately freed, or if convicted, released with credit for time served. In October 1998, three newspapers were suspended for pornographic content. As other pornographic publications were not suspended, and the three newspaper publishers also issue opposition publications, a political motivation is suspected.

The Kyrgyz Constitution provides for freedom of religion. The government does not support any specific religion and expressly forbids religious instruction in government schools. The government does not, however, fully protect religious rights. A 1996 law requires that religious groups register with the State Commission on Religious Affairs. Some domestic religious groups have experienced governmental interference, especially in rural areas. For example, Baptists in one rural area reported local police had disrupted their services, and Muslims have complained of some government intrusion. There is no law on emigration, though administrative procedures permit the movement of people.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Kyrgyz Republic has made a strong commitment to the observance of international legal obligations and OSCE commitments. An OSCE office will open in Kyrgyzstan in January 1999. The Kyrgyz Republic is at peace with its neighbors, and is also a strong proponent of dialogue and cooperation among the states of the former Soviet Union. Kyrgyzstan participates in Partnership for Peace exercises. It also participates with neighboring Uzbekistan and Kazakhstan in a Central Asian Peacekeeping Battalion. Kyrgyzstan hosted the 1998 Central Asian Peacekeeping Battalion exercises, which included U.S. observers.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Kyrgyz Republic supports regional and international efforts to resolve peacefully the conflict in neighboring Tajikistan as well as in Afghanistan. A unit of the Kyrgyz military serves in the CIS peacekeeping force in Tajikistan, stationed along the Tajik-Afghan border. The Government of the Kyrgyz Republic is committed to establishing a multi-ethnic national identity and is particularly sensitive to the concerns of the non-Kyrgyz ethnic groups in the Kyrgyz Republic, although there are credible allegations of discrimination on the part of individual government officials.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

The Government of the Kyrgyz Republic has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. The Kyrgyz Republic acceded to the NPT on July 5, 1994. The Kyrgyz Republic is also committed to maintaining a small, defensive military force or national guard. The Kyrgyz Republic has said that it is strongly opposed to the proliferation of weapons of mass destruction, their delivery systems or related technologies. The Government of Kyrgyzstan has taken steps to establish a functioning system of export controls. In 1998, the government submitted a draft export control law to Parliament that passed a first reading. We have received occasional reports of transfers or potential transfers of conventional weapons to state sponsors of terrorism from the Kyrgyz Republic, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports resulted in a sanctions determination during the reporting period. We do not believe that the Kyrgyz Republic has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. The Kyrgyz Republic is a signatory to the 1993 Chemical Weapons Convention.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Kyrgyzstan suffered severe environmental degradation under Soviet rule, and there is broad-based support for domestic protection of the environment. Kyrgyzstan has shown an interest in regional cooperation on environmental issues, and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues. The Government of Kyrgyzstan has taken some steps to establish public policy mechanisms to address environmental issues, including the establishment of a State Committee on Nature Protection. National environmental NGOs are gaining access to the policy-making process on environmental issues.

Kyrgyzstan has been an active and constructive player in regional and international efforts to alleviate the deteriorating environmental conditions and foster regional cooperation in the Aral Sea basin. The Government of Kyrgyzstan has worked with the World Bank and international donors on a 15- to 20- year plan to stabilize the Aral Sea.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of the Kyrgyz Republic does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Kyrgyzstan is not a party to any of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). The Kyrgyz Republic signed both the October and December 1991 agreements. The December 1991 agreement provided that the Kyrgyz Republic's share of the FSU debt would be 0.95 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In August 1992, the Kyrgyz Republic signed a "zero option" agreement with Russia under which Russia will pay the Kyrgyz Republic's share of the debt in return for its share of the assets.

Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. In November 1995, the U.S. side of this Commission made a successful visit to Kyrgyzstan. The Commission met with senior government officials, including President Akayev. All officials cooperated fully and pledged to do their utmost to locate information on American POWs/MIAs. There is no evidence of any American POWs/MIAs in Kyrgyzstan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of the Kyrgyz Republic is not providing military, intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KYRGYZSTAN

Section 498A(b)(1): Has the President determined that the Government of the Kyrgyz Republic has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. We do not believe that the Government of the Kyrgyz Republic is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of the Kyrgyz Republic "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of the Kyrgyz Republic has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of the Kyrgyz Republic "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We do not believe that the Government of the Kyrgyz Republic has made such transfers.

Section 498A(b)(4): Is the Government of Kyrgyzstan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of the Kyrgyz Republic is prohibited from receiving assistance by these sections.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of the Kyrgyz Republic "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from the Kyrgyz Republic under the Foreign Assistance Act with 30 days of such a determination, or has Congress enacted legislation disapproving the determination with that 30-day period?"

No. We do not have information from which to conclude that the Government of the Kyrgyz Republic is providing such assistance or engaging in such non-market-based trade.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

MOLDOVA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Moldova continued its efforts to make the transition to democracy and a market economy during 1998. On March 22, Moldova held parliamentary elections that international observers judged to be free and fair. On April 23, a three party coalition, called the Alliance for Democratic Reform (ADR), formed a new government that is both pro-West and pro-reform. Prime Minister Ion Ciubuc remained in his position as has the Minister of Foreign Affairs and the Minister of Defense. Separately, a non-governmental law center has been established and is operating with U.S. help to promote development of the legal profession and the judiciary.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Moldova continues to make progress in implementing market-based economic reforms, private ownership and integration into the world economy. Moldova agreed to a three year \$185 million Extended Fund Facility (EFF) program with the International Monetary Fund (IMF) in 1996, but fell off-track in the fall of 1996 due to election pressures. Moldova has remained out of compliance over the past year although the IMF recently reached provisional agreement in mid-November with the Government of Moldova (GOM) on a memorandum of economic policies. As part of the agreement, the GOM has agreed to enact a package of expenditure cuts for the last quarter of 1998 that will reduce the country's budget deficit to 2 percent of GDP with no increase in arrears. If the measures are successfully implemented, the IMF may recommence disbursements on the EFF with a \$35 million tranche in late December 1998 or early January 1999.

The World Bank also has worked actively with the Moldovan Government to promote reform, including the provision of \$382.7 million for project (\$222.7 million) and policy based (\$160 million) programs. While project lending to Moldova has continued without disruption, implementation of the Bank's second Structural Adjustment Loan (SAL II) remains suspended. If the IMF recommences disbursements on its EFF for Moldova, part of the second tranche - \$35 million - of the SAL II will also be released.

Moldova has adopted the basic reforms necessary for a market economy: prices have been largely freed, foreign trade has been almost fully liberalized, and the Moldovan leu is fully convertible for current account transactions. On November 2, the Moldovan Central Bank stopped its intervention on behalf of the leu, leading to a 36 -percent decline in the value of the currency against the dollar. IMF and World Bank representatives and National Bank of Moldova officials all stressed that the move was necessary, if not overdue. The devalued currency may have a positive impact on the country's terms of trade.

The government's commitment to price stability has been particularly impressive; inflation has fallen steadily from 24 percent in 1995 to around 12 percent in 1997. A largely completed mass privatization program has privatized 2,132 enterprises from most economic sectors; about 80 percent of all housing units are now in private hands; and 72 former collective farms have been broken up and privatized. In an ambitious program, the GOM plans to privatize a remaining 550 farms in FY99. Export quotas have been eliminated, and import tariffs have been substantially reduced. In October 1994, Moldova began the process of accession to the World Trade Organization (WTO) and has made substantial progress towards a WTO-compatible trade regime.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Government generally respects the human rights of its citizens, however, there were problems in some areas. The Government generally recognizes freedom of religion. Proselytizing is prohibited by law, though the authorities have taken no legal action against individuals for proselytizing. In addition, the press law includes an article that allows public figures to sue for defamation without distinguishing between their private and public persons, and leads journalists to practice self-censorship. The 1994 constitution provides the legal framework to ensure protection of minority rights, and has

received positive assessments from international experts. Moldova has abolished exit visas for travel abroad. While some restrictions on emigration remain, there were no known cases denying permission to emigrate in 1998.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Moldova takes seriously its participation in the OSCE and its commitments under the Helsinki Final Act. A 1992 Russian-brokered cease-fire in the separatist Transnistria region has held firmly since July 1992. The cease-fire established a tripartite peacekeeping force (comprised of Moldovan, Russian, and Transnistrian units) that has prevented a return to the use of force in the region. Negotiations aimed at resolving underlying issues in this conflict continue, as does the work of an OSCE mission there. Nevertheless, a permanent solution to the conflict remains elusive.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Since the inception of the military conflict in the Transnistria region, the Moldovan Government has sought to cooperate with its neighbors -- Romania, Ukraine, and Russia -- in seeking a peaceful resolution of this conflict. The Moldovan Government succeeded in negotiating with Russian and Transnistrian officials an effective cease-fire in 1992. Moldova has cooperated with both OSCE and UN fact-finding/observer missions sent to the area and has consistently called for international mediation assistance. An OSCE mediation mission has been working in Moldova since 1993.

Section 498A(a)(6): implement responsible security policies, including --

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Moldova has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Moldova has fulfilled all obligations of the Treaty on Conventional Armed Forces in Europe (CFE). Moldova's own armed forces are still in the formative stage, with a manpower objective at about one percent of total population. Moldova acceded to the Nuclear Non-Proliferation Treaty (NPT) in October 1994 in Washington. We do not believe that Moldova has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. The Moldovan Government has acted responsibly on non-proliferation issues. Moldova is a party to the 1993 Chemical Weapons Convention (CWC) and in September 1996 became a member of the International Atomic Energy Agency (IAEA).

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

While information on specific "constructive actions" undertaken by the Moldovan Government to reduce cross-border pollution is limited, Moldova is taking steps to reduce overall levels of pollution. With U.S. help, Moldova has begun to increase environmental awareness by establishing environmental risk analysis courses at six major universities, and by increasing awareness of the benefits of low-till farming methods via demonstration projects. Energy sector improvements will also help reduce pollution through increased efficiency.

The U.S., EU and four host nations (Russia, Ukraine, Moldova and Georgia) are cooperating to establish Regional Environmental Centers (RECs), in addition to the REC established in Szentendre, Hungary in 1990. The mission of the REC is to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making and provide modest grants to NGOs for projects. U.S. officials will serve on each REC's Advisory Forum and on the International Coordinating Committee (ICC) which meet annually to facilitate cooperation among the RECs and to assist the new RECs in obtaining important technical, scientific and financial support.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Moldova does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Moldova is a party to three of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). Moldova signed the October, but not the December 1991, agreement. The December 1991 agreement provided that Moldova's share of the FSU debt would be 1.29 percent. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In October 1993, Moldova signed a "zero option" agreement with Russia under which Russia will pay Moldova's share of the debt, in return for its share of the assets as defined by the December 1991 agreement.

(Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.)

Section 498A (a) (10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. Moldovan officials warmly welcomed the U.S. side of the Commission in August 1995. With the full support of the Moldovan Government, the U.S. Chairman also made an appeal to the people of Moldova, asking them to come forward with information. Moldova has also fully supported subsequent Commission inquiries in Moldova.

Section 498A (a) (11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Moldova is not providing military, economic, nuclear, or other assistance encompassed by that statute to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

MOLDOVA

Section 498A(b)(1): Has the President determined that the Government of Moldova has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. We do not believe that the Government of Moldova is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Moldova "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Moldova has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Moldova "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Moldova in 1998.

Section 498A(b)(4): Is the Government of Moldova "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. We do not have information from which to conclude that the Government of Moldova is prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Moldova "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Moldova under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. The Government of Moldova is not providing assistance to, or engaging in non-market-based trade with Cuba.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

RUSSIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Russia's progress towards building a society governed by law-based, democratic institutions has been uneven, but remarkable progress has been made. In December 1993, the Russian people approved a constitution that provides for a democratic government comprised of three branches. The executive branch is led by an elected president who appoints the Prime Minister with the consent of the parliament. Presidential elections were conducted in 1996 with broad participation in a contest that was judged free and fair by international observers.

The legislative branch consists of a bicameral parliament, the State Duma and the Federation Council. Duma deputies are elected by party lists and single-mandate districts; membership in the Federation Council is granted to regional governors and the chairmen of regional legislatures. Duma elections, which were also judged free and fair, took place in 1993 and in 1995. Members of the Federation Council are elected according to timetables established by the regions they represent.

Though still in its early stages, the development of the rule of law is supported by all of Russia's mainstream political forces. That the political turmoil surrounding the 1998 financial crisis remained within the bounds of Russia's constitution is a testament that democratic traditions are taking root in some institutions. The constitution provides for an independent judiciary, including a supreme court that hears appeals from the courts of general jurisdiction and a constitutional court. In practice, the judiciary remains subject to political influence, particularly in high-profile cases. The government's inability to provide sufficient resources to the courts has also compromised the judiciary's freedom of action and the judiciary – including the constitutional court – has not yet established effective mechanisms to enforce its rulings. The penal system is also woefully short of resources, and conditions for those in custody remain abysmal.

Russia's constitution guarantees respect for internationally recognized human rights. Although the Russian parliament has been slow to pass implementing legislation in many areas, the guarantees of freedoms of speech, press, religion, assembly and movement have dramatically recast the individual's relationship with the state in Russia compared with the Soviet period.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Russian Government has undergone tremendous stress as it has moved from a centrally planned economy toward a free market system. Difficulties in implementing fiscal reforms aimed at raising government revenues and a dependence on short term borrowing to finance budget deficits led to a serious financial crisis in 1998. Lower prices for Russia's major export earners (oil and minerals) and a loss of investor confidence due to the Asian financial crisis exacerbated financial problems. The result was a rapid decline in the value of the ruble, flight of foreign investment, delayed payments on sovereign and private debts, a breakdown of commercial transactions through the banking system and the threat of runaway inflation. In addition, Russia has an external debt burden of \$21 billion dollars coming due within the next year.

The pace of market-oriented reform has slowed and may continue to do so. Two governmental crises, in March 1998 and August 1998, led to the appointment of a government in September that distanced itself from the prior governments' efforts to rapidly introduce market-oriented reforms. The new government has announced an economic plan that contemplates an increased role of the state in managing the economy. We are concerned about statements from leading Russian officials that Russian industry needs protection and state financial support. To the extent that Russia is unable to obtain assistance from international financial institutions, we are concerned that financing the government's budget deficit through monetary emissions may lead to significant increases in inflation.

Russia's GDP, estimated at \$457 billion in 1997, is believed to have declined by as much as 9.9 percent from September 1997 to September 1998. Inflation during the first ten months of the year was 56.4 percent, compared with 9.3 percent for the same period in 1997. Although the inflation rate declined in October and November, plans for government spending without full consideration as to how revenue will be increased make renewed inflation a real danger. Real incomes have declined over forty percent since June, with the nominal average wage at \$70 per month.

In October 1998, Russia's industrial output was 11 per cent below the previous October. Over the first ten months of the year, overall industrial output was down 4.6 percent and farm output was off 8.8 percent on an annualized basis. Foreign investment in Russia has fallen by approximately fifty percent since 1997. The Russian stock market lost more than 90 percent of its value between January and October 1998. Officially, unemployment rose 4.7 percent from October 1997 to October 1998, leaving the current rate of unemployment at 11.5 percent. Actual unemployment, as well as underemployment may be higher than official figures suggest.

Officially, the Russian Government estimates that 75 percent of output is now generated by the private sector and that only 41-42 percent of Russian enterprises are state-owned or partially state-owned. Control of many firms has been transferred to workers and managers who have made little progress toward profitability, as demonstrated by the persistence of large arrears in taxes, wages, and other areas. Enterprises may be considered "private" in official data even if the government retains 49 percent ownership. In fact, federal or regional governments do hold influential minority stakes in many firms. Sale and transfer of shares in firms having government ownership are limited, and some private shareholders have experienced difficulty in exercising their voting rights (a problem throughout the economy). According to Presidential Decree 254, the government can require firms with substantial tax arrears to issue a controlling block of shares or bonds for the amount of the arrears to the government. These shares and bonds are to be held in trust pending payment of the arrears. In case of non-payment, the government may exercise an option to sell the shares or bonds on the open market.

Russian leaders continue to affirm Russia's commitment to accession to the World Trade Organization (WTO). Slow progress toward that goal has continued at the working level despite Russia's economic problems in 1998. There has been some useful activity in technical areas and information exchange at various working party meetings. However, Russia's market access offer on goods, which sets tariffs higher than current rates and envisages a lengthy transition period after accession, is deemed inadequate by the U.S. and most other WTO members. Russia has yet to table an offer on services and provide data on agricultural subsidies.

Russia's intellectual property rights (IPR) legislation provides protection for patents, copyrights, trade and service marks, and semiconductor chip designs. However, it has excessive evidentiary requirements for civil suits and deficiencies in retroactive copyright protection. Pervasive problems remain in enforcement, and Russia is on the U.S. Special 301 Priority Watch List. In 1998 Russia established a Patent Chamber, a specialized court for appellate review of patent disputes. The United States and Russia have begun the first phase of a comprehensive technical cooperation program on IPR enforcement.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Russian Federation's record in protecting internationally recognized human rights has been uneven. In February 1995, Russia was admitted to the Council of Europe and as a result will be subject to the jurisdiction of the European Court on Human Rights.

Freedom of expression and of the media is now well established in Russia, with the print and broadcast media reflecting a wider diversity of political views than under the Soviet period. Nevertheless, there are reports of government pressure on the media. Some journalists have been killed and kidnapped and the government has been lax in investigating these crimes. There is also some concern that ownership of the major television stations is being concentrated in the hands of a small circle of competing businessmen.

Restrictions on freedom of movement, imposed through modifications of the *propiska* (residence permit) system, remain a human rights concern. The mayor of Moscow has condoned the removal of hundreds of people who lack residence permits to live in the city. The rules are selectively enforced, with people from the Caucasus and Central Asia forming a disproportionate number of the deportees. There are also credible reports of people of Caucasus origin who possess valid residence permits being forced to leave Moscow and other large cities by local officials.

Religious freedom has flourished in Russia since independence, with a variety of faiths experiencing tremendous growth. However, over the past few years about one-quarter of Russia's regions have adopted restrictions designed to limit the activities of religious minorities and foreign missionaries. In September 1997, President Yeltsin signed a law "On Freedom of Conscience and Religious Associations," which could limit the legal status of some religious organizations in Russia, as well as impose significant restrictions on minority religions and representatives of foreign religious communities. Russian officials have pledged that implementation of the law will be consistent with Russia's international commitments to religious freedom and have taken some significant steps to ameliorate some of the law's negative aspects. In some regions, however, local officials have imposed restrictions on religious liberty; the U.S. Government and NGO community are monitoring this closely. However the Russian federal government needs to do more to reverse discriminatory actions taken at the local level.

Lack of respect for due process remains a serious shortcoming. Suspects are routinely detained for 12-18 months in pre-trial detention centers; conditions there and in regular prisons are deplorable. In one case with numerous due-process violations that appears to be politically motivated, environmental activist Aleksandr Nikitin was held without charge for nine

months in 1996. Although released in late 1996, as of November 1998 he is unable to travel beyond his home district and remains accused of treason and revealing state secrets while the government prepares its case against him. The charges against Nikitin were based in part on secret Ministry of Defense decrees, which were given to the defense on the day his trial began. In October, the presiding judge ruled that the evidence presented by the prosecution was not sufficient to convict and returned the case to the investigators. While not an acquittal, this represents a qualified victory for Nikitin's defense.

The Russian Government has made and continues to make steady progress in developing policies and practices that provide its citizens with rights to foreign travel and emigration that conform with internationally recognized human rights norms. The right to travel, which is enshrined in Russia's 1993 Constitution, was codified in 1996 with the passage of the law on "Procedures for Departing and Entering the Russian Federation," which was signed into law by President Yeltsin on August 15, 1996. This law reaffirms Russia's commitment to allow its citizens the right to travel abroad, to emigrate, and to return to Russia. However, the law also describes circumstances under which the Russian Government can deny the right to travel to Russian nationals who, during the course of their work, had access to "secret," "top secret," and "highly sensitive" material. Such individuals can be refused permission to travel abroad for up to ten years following the last date of access to such material.

According to the U.S. Embassy in Moscow, the time for processing applications for Russian nationals with passports who wish to travel to a foreign country or who wish permanent residence abroad is 2-6 months. The time for processing applications for Russian nationals who wish to emigrate and who do not already have a passport averages from four to five months.

Tens of thousands of Russian citizens emigrate annually. In FY 1997, approximately 7,600 Russian citizens emigrated to the United States. The number of state secrecy and other cases on the listings of "refuseniks" maintained by American Jewish organizations has decreased from over 1000 in the late 1980's to around 20 in 1998. In light of this record, the president has determined that the Russian Federation is in "full compliance" with the terms of the Jackson-Vanik amendment.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Russia has repeatedly professed its commitment to uphold all OSCE principles, including those governing territorial integrity, national sovereignty, non-use of force and the peaceful settlement of disputes.

The Russian Government permitted the establishment of the OSCE Assistance Group (AG) in Chechnya in April 1995, four months after the start of the war there. Since then, the AG has actively promoted efforts at reconciliation and its efforts have been praised by both sides and the international community generally. In August 1996, Russia and Chechnya agreed to a peaceful settlement that deferred the question of Chechnya's political status but provided for a cease-fire, exchange of prisoners, and steps for the reconstruction of the region's economy. With some lapses, both sides have honored the agreement and consistently reaffirmed their commitment to avoid violence in the future. Russian troops withdrew entirely from Chechnya at the end 1996 and the Chechen authorities conducted presidential and parliamentary elections in January-February 1997. In May, another agreement was reached which commits both sides to refrain from the use of force and to conduct relations according to principles of international law.

Despite the absence of open conflict, the North Caucasus remains a dangerous region, as evidenced by the November 1998 kidnapping of an American citizen in Dagestan. In December 1996, six medical workers from the International Committee of the Red Cross (ICRC) were brutally murdered in territory under the control of the Chechen authorities. This savage act was the worst-ever tragedy in the history of the ICRC. Kidnappings and assassinations, some politically motivated, have also occurred regularly in Chechnya since the beginning of the conflict in 1994.

Russian leaders have called for enhanced efforts by the UN and the OSCE in peacekeeping, including in the NIS. Russia has, to varying degrees, been supportive of OSCE missions and UN peace efforts in Azerbaijan (Nagorno-Karabakh), Estonia, Georgia, Latvia, Moldova, Tajikistan, and Ukraine.

In some cases, Russian forces left stationed on the territory of neighboring states have complicated ethnic conflicts in these states, particularly in Moldova where Russian troops previously intervened on behalf of separatist forces in Transdniester.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Russia's role in resolving regional conflicts in adjacent countries has been generally positive, though Russia's foreign policy remains committed to strengthening the CIS, preserving Russia's influence in the region of the former Soviet Union and defending the interests of ethnic Russians in neighboring states. In 1998:

Russia continued to cooperate with a Georgia-based OSCE mission charged with bringing Ossetians and Georgians to the negotiating table. In 1992, Russia helped broker the cease-fire agreement in South Ossetia. This truce accord still holds.

Georgian leaders stated that, in their view, the Yeltsin Administration does not have a policy of interfering in the Abkhaz conflict to the detriment of Georgia. At the same time, Russian facilitators in the negotiating process have not been able to convince the Abkhaz representatives to give up their demands for separate, equal status with the Georgian state. Moscow has been supportive of Georgian claims and is willing to press the Abkhaz to negotiate seriously toward a settlement.

Russia, the United States, and France co-chaired the Minsk Group peace process, which is the OSCE's negotiating forum for a peaceful settlement of the Nagorno-Karabakh conflict. Cooperation among the co-chairs has been excellent. The Minsk Group has been actively negotiating with the parties to reach a durable settlement. In May 1997 the co-chairs presented a new proposed peace plan and have been working since then to negotiate its acceptance by the parties. A Russian-brokered cease-fire has been in effect in Nagorno-Karabakh since May 1994 and has held, despite sporadic violations. At the Budapest Summit in December 1994, Russia agreed that an OSCE peacekeeping force would be used in Nagorno-Karabakh. The OSCE is working toward establishing this multinational peacekeeping force to help implement an accord on Nagorno-Karabakh.

President Yeltsin visited Kiev in May 1997 and signed a Friendship and Cooperation Treaty with Ukraine, and although neither country has ratified the document, both are implementing the Treaty provisionally. The two sides also concluded agreements to resolve the issue of the Ukraine-based Black Sea fleet, which had been a source of disagreement since 1992. The two sides have still not formally demarcated their interstate border, although border issues have not been a source of contention in recent years.

Russia played a significant role in facilitating the peace process in Tajikistan that led to the conclusion of a comprehensive settlement in June 1997. Russia's 201st Motorized Rifle Division is part of the Commonwealth of Independent States (CIS) Collective Peacekeeping Force established in 1993, although its presence in Tajikistan dates from Soviet times. Its activities support both the current regime and Russia's interests in the region. Cooperation exists between Russian and Tajik Government forces. Russian Border forces also dominate the multi-national CIS forces guarding the Tajik-Afghan border and which include personnel from Tajikistan, Kyrgyzstan, Uzbekistan, and Kazakhstan.

The Russian parliament has not yet ratified the 1994 agreement with Moldova under which Russia committed to withdraw its troops and equipment within three years after its ratification by both parliaments. Although President Yeltsin has publicly reaffirmed Russia's commitment to the withdrawal agreement, it is apparent that the Russian Government has not pressed the Duma to ratify it. The Moldovan parliament ratified the agreement in late 1994. Forces belonging to the Russian 14th Army have been stationed in Moldova since before its independence. About 2,300 Russian troops are currently present in the Transnistria area of Moldova. Moldova opposes the presence of Russian troops and has sought their removal. Thus far, the Moldovan Government is disappointed with the current slow rate of the Russian troop withdrawal. The Russian and Moldovan Governments are conducting ongoing discussions on the withdrawal process, with the direct support and involvement of the OSCE.

Russia has been generally constructive in mediating international conflicts through its participation as a cosponsor of the Middle East peace process, a member of the Bosnia contact group, and its support of UN and other multinational initiatives in the Persian Gulf, Haiti, and Angola.

Moscow continues to negotiate with the Chechen authorities over Chechnya's political status. In May 1997, President Yeltsin and Chechen President Maskhadov signed an agreement that pledges both sides to refrain from the use of force and to conduct their relations in accordance with recognized principles of international law.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Arms Control

The Government of Russia continues to make progress resolving arms control issues inherited as a result of the disintegration of the Soviet Union, including the fulfillment of obligations undertaken in connection with the ABM, INF, START I, and CFE Treaties.

The Russian parliament ratified the START I Treaty on November 4, 1992, which entered into force December 5, 1994. The detailed work of implementing the Treaty is well underway, including inspections and eliminations of strategic offensive arms. Russia has eliminated substantial numbers of strategic offensive arms in its efforts to achieve required START I levels. The START Treaty's Joint Compliance and Inspection Commission (JCIC) --in which both Russia and the United States participate -- is the mechanism for resolving questions concerning implementation of the Treaty. The JCIC meets regularly in Geneva and a number of implementation questions have been resolved through this mechanism. Some issues remain unresolved and will continue to be discussed in the JCIC.

The United States and Russia signed the START II Treaty on January 3, 1993. President Yeltsin and other senior Russian officials have stated publicly their intention to ratify the treaty. However, the Duma has not yet approved ratification of START II.

Russia has reaffirmed its commitment to the ABM Treaty at the foreign minister and presidential levels. Russia has been a leading participant in the Standing Consultative Commission. Negotiations on Treaty succession and the demarcation between treaty-limited ABM systems and theater ballistic missile defense systems not limited by the Treaty were concluded following the Helsinki Summit and the documents were signed in September 1997.

The United States and Russia have both signed the CTBT and continue to cooperate with the international community in finding ways to persuade India to allow that Treaty to enter into force.

Russia has generally fulfilled its CFE obligations to date, including completion of its declared equipment reduction liabilities. The CFE flank agreement, which entered into force on May 15, 1997, resolves Russia's problem of complying with the Treaty's flank limits. Russia has until May 31, 1999, to comply with the limits of the new flank zone.

There have been a number of compliance issues concerning Russia that are still under discussion. These include: designating the armored personnel carriers (APC) of some combat maneuver units as ambulances (which do not count against Treaty limits) while still using them as APCs. If these vehicles had been properly reported and counted as APCs, Russia would be in violation of the interim limits currently in effect for the original flank zone. In scattered instances, Russia denied full access during on-site inspections. In addition, Russia shares with Ukraine a joint reduction obligation related to naval infantry and coastal defense forces (NI/CD). This obligation, which derives from a CFE Treaty-related document, has not been fully met.

In September 1989, the United States and the Soviet Union signed the Wyoming Memorandum of Understanding (MOU), which called for an exchange of data on chemical weapons (CW), and for visits and inspections to relevant military and civilian facilities. Phase I of the MOU was completed in February 1991. Russian implementation of Phase II has been mixed. U.S. inspections of Russian facilities were carried out in accordance with the MOU. On the other hand, the United States believes that several key questions and concerns have not yet been resolved in Russia's data declaration. Several rounds of bilateral consultations have been held to discuss U.S. concerns and have revealed a lack of agreement on certain issues related to MOU implementation. President Yeltsin and other senior Russian officials have expressed support for the MOU. However, Russia still must take concrete steps to fulfill its commitment and resolve existing problems.

In November 1997, Russia ratified the 1993 Chemical Weapons Convention (CWC), which calls for the eventual elimination of chemical weapons. In April 1997, the Duma passed a law on destruction of chemical weapons. A legislative framework is now in place for the implementation of the CWC, however, lack of adequate funds will likely hamper timely compliance with timely compliance with CWC timelines for the destruction of chemical weapons and production facilities.

The United States and other nations are providing some assistance to help Russia meet its CWC commitments. The United States and Russia signed a Plan of Work on January 7, 1994, which paved the way for up to \$55 million in Nunn-Lugar assistance to help Russia develop a comprehensive CW destruction program and to assist Russia in equipping a central CW destruction analytical laboratory. The United States and Russia are also cooperating to construct a pilot destruction facility that utilizes Russian technology to neutralize chemical agents through chemical processes.

With respect to the 1972 Convention on the Prohibition on the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (the BWC), the United States has determined that the offensive biological weapons (BW) program that Russia inherited from the Soviet Union violated the BWC at least through March 1992. In early 1992, President Yeltsin confirmed that the former Soviet Union had an offensive BW program and issued a decree in April 1992 prohibiting all activities that contravene the BWC. President Yeltsin has made these commitments to comply with the BWC, but there is some evidence that suggests that his commitment may not be universally shared and may not have been effectively implemented. We will continue to follow developments in this area very closely.

Since September 1992, U.S. and U.K. officials have met on several occasions with their Russian counterparts to discuss the BW issue. To date, some, but not all, of the confidence-building activities adopted as part of the September Trilateral Statement have been carried out satisfactorily. The U.S. Government firmly believes that the best course to ensure Russian compliance with the BWC is to pursue transparency and openness of BW-related activities and to seek continued implementation of the Trilateral Statement.

We continue to have significant concerns about Russia's current arms control compliance in some areas, notably biological and chemical weapons. However, we believe that senior Russian officials are committed to fulfilling Russia's arms control obligations and, indeed, many concrete steps have been taken since the end of the Soviet Union on December 25, 1991 to comply with relevant arms control agreements. However, the status of Russian compliance performance remains under our constant, careful review.

Reducing Forces and Expenditures

Due to extreme budgetary constraints and a changing view of the kind of military Russia needs, military spending on equipment and manpower has been drastically reduced in recent years. Russian troop strength has been cut by 70 percent, from 4.3 million to 1.27 million. Tanks and APCs have been cut by two-thirds, and the numbers of artillery mounts, aircraft, and combat ships are also down. The Government of Russia has begun to reduce and restructure its forces in accordance with a yet to be published plan of military reform. However, this will continue to be a long and costly process. The requirements of the CFE Treaty and the CFE IA agreement on personnel limits will also result in significant reductions of Russian forces in the Treaty's area of application.

Non-Proliferation

The United States and Russia have continued their active and productive dialogue concerning non-proliferation of nuclear, biological, and chemical weapons, their delivery systems, and related technologies. As a primary goal of our common non-proliferation agenda, our two countries worked successfully with many other nations to achieve the indefinite extension of the NPT in May 1995 and to sign the CTBT in 1996. Moreover, with the broadening of our non-proliferation agenda to include such items as regional issues, we agreed to create a formal Bilateral Working Group on Non-proliferation. The agenda and structure for this group have been finalized, and the first full session took place in 1996.

Russia and the United States continue to implement the bilateral agreement for U.S. purchase of low-enriched uranium (LEU) blended down from highly enriched uranium (HEU) extracted from nuclear weapons. The LEU will, in turn, be used in nuclear power reactors so that it can never again be used for nuclear weapons. The United States and Russia are cooperating on a variety of other initiatives and programs related to fissile materials. Among these is the bilateral initiative for disposition of excess weapon-grade plutonium. The U.S. and Russia have each declared 50 tons of plutonium excess to defense needs and in 1998 agreed to convert this material so that it can never be used for nuclear weapons. A bilateral agreement implementing this commitment is being negotiated.

Russia's nuclear cooperation with Iran remains a serious concern and intensive discussions with Russia continue in order to find a satisfactory resolution of this issue.

In 1998 a Russian decree was issued providing broad government authority over export controls. Implementing regulations have also been issued which are designed to restrict the export of sensitive technologies.

Russia joined the Missile Technology Control Regime (MTCR) in August 1995, and shared with us a commitment to missile nonproliferation, regional stability, and strict adherence to the tenets of the MTCR. In this context, we have continued our high-level engagement of Russia regarding our concerns about reports of Russian entities transferring missile-related technology to Iran. In 1998 Russia issued a preliminary report of an investigation against these entities and Russia has taken action against several of them. Russia has assured us of its commitment to the highest nonproliferation standards and has told us repeatedly that it does not support Iran's long-range missile development efforts. We continue to press the Russian Government to take additional steps against entities involved in missile-related technology transfer to Iran.

We periodically receive reports of weapons-of-mass-destruction proliferation related transfers involving Russian entities, which we carefully review and engage the Russians on when the situation warrants.

Conventional Arms

The United States and Russia maintain active contacts on a wide range of conventional arms transfer issues. The Government of Russia has generally complied with its obligations to observe UN arms sanctions against Iraq, Libya, Haiti, and the former Yugoslavia, and has worked with the UN Sanctions Committee as questions have arisen. Russia has moved away from past policies of arms transfers for ideological or strategic purposes. The Russian Government has assured us that Russia is competing in the international weapons market as a responsible supplier that adheres to international agreements, cognizant of the importance of maintaining stability.

During the September 1994 Summit, President Yeltsin publicly pledged that Russia would not enter into new arms contracts with Iran. In June 1995, Vice President Gore and Prime Minister Chernomyrdin reached agreement on the details of the Russian pledge. This understanding makes clear that Russia's commitment is comprehensive, covering arms and arms-related technologies. It also provides for Russia's old contracts to be ended within a few years, while ensuring that transfers pursuant to the pre-existing contracts will not alter the military balance in the region or compromise the ability of the United States and our allies to protect our mutual interests.

Resolving this issue allowed us to support Russia's participation in September 1995 negotiations to establish the successor regime to COCOM, the Wassenaar Arrangement. In July 1996, Russia joined the United States and 31 other countries in giving final approval to the establishment of the new regime and assuming the same responsibilities as other members in ensuring transparency, responsibility, and restraint in the transfer of arms and sensitive dual-use goods and technologies.

We have received occasional reports of transfers or potential transfers of conventional weapons to state sponsors of terrorism from Russia that we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports resulted in a sanctions determination during the reporting period.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

During meetings the U.S.-Russian Joint Commission on Economic and Technological Cooperation (commonly called the Gore-Chernomyrdin Commission), Vice President Gore and Prime Minister Chernomyrdin affirmed their commitment to intensify cooperation to implement the concepts of sustainable development, responsible stewardship of natural resources and restoration of the environment. This commitment has remained in effect in 1998. Despite revenue shortfalls, Russia continues to make progress, albeit unevenly. A system of pollution charges levied on enterprises and utilities enables many regions and cities to meet some of their most pressing environment needs. Prosecutors have been appointed in many regions to enforce existing regulations. A new Russian federal law on waste management was passed in 1998 and the Duma is considering a draft law to provide for sustainable management of the Lake Baikal Basin. The tenth meeting of the Commission, held in March 1998, noted the beginning of two Russian federal investment programs, called "Energy Conservation for Russia" and "Energy Conservation for the Northern Territories" which promise a significant contribution to sustainable use of natural resources, as well as commercial and economic benefits.

The Environmental Working Group, in its report to the Commission, noted new steps taken to accelerate cooperation on environmental issues by sharing information derived from national security systems. Some recent examples included studies of boreal forests, coastal pollution in the Florida Bay and development of risk assessment methodologies for study of U.S. and Russian oil and gas activities. Vice President Gore noted that such reports continue to demonstrate how unclassified information from national security systems can be combined with civilian data to improve scientific understanding of the environment. Of particular note was the plan to study the carbon balance and processes in boreal forests, the results of which are expected to answer critical questions about the global carbon balance.

Regional Environmental Centers

The United States, the European Union and four host nations (Russia, Ukraine, Moldova and Georgia) are participating in the establishment of independent, non-profit, and non-political Regional Environmental Centers (RECs.) The mission of each REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making.

Climate Change and CFCs

Russia is a member of the "Umbrella Group" of key partner nations supporting the US in favoring the use of the Kyoto Protocol's market-based mechanisms including emissions trading, the Clean Development Mechanism and joint implementation to meet national emissions reduction targets. Russia has also supported US efforts to secure the meaningful participation of key developing countries in the Protocol. During the Fourth Conference of Parties (COP) in Buenos Aires, Russia strongly supported Argentina's announcement that it will adopt a greenhouse gas emissions target.

Under the Kyoto Protocol, which set emissions allowances for the period 2008-2012, Russia agreed to stabilize its emissions at 1990 levels. As Russian greenhouse gas levels are expected to be significantly below 1990 levels due to the collapse of their economy, the nation expects to benefit from both capital flows generated from the sale of emissions credits and Western investment in its energy sector. Russia's participation in international emissions trading system depends upon the establishment of a reliable domestic monitoring and verification regime. Workshops on emissions trading and joint implementation were held in Moscow in June 1998 to address the creation of monitoring capability and the ability to track reductions.

The Environment Committee in its report to the Gore-Chernomyrdin Commission called attention to anticipated efforts to eliminate the production of chlorofluorocarbons in Russia by the year 2000. A major step toward Russian compliance with the Montreal Protocol (on substances that Deplete the Ozone Layer) was taken in 1998 with the conclusion of a \$27 million international assistance package that will eliminate Russian capacity to produce ozone-depleting substances the end of the year 2000. This effort, to which the USG has contributed \$6 million, involves substantial commitments from the Russian Government and the seven enterprises involved. Post-phaseout oversight will extend for a period of five years. Disbursements to any enterprise are conditioned on satisfactory performance by all seven. We would also note that consumption in Russia of ozone-depleting substances has declined markedly from a peak of around 70,000 tons annually to approximately 9,000 metric tons in 1998, to an estimate of some 6,000 tons in 1999. Remaining demand after 2000 is estimated at 3000 to 4000 tons per year and will be met by a combination of recycling, controlled sale of reserve stocks and conversion to technologies that do not use these substances.

Radioactive Waste

At the Commission meeting this year, Vice President Gore welcomed the expansion of multilateral cooperation in addressing the problem of radioactive waste management in northwest Russia, where such materials pose an international threat. Several projects and initiatives contribute to this effort. The first established was the so-called Murmansk Initiative. The only operational low-level liquid radioactive waste (LLRW) processing facility in Russia is located in Murmansk on the Kola Peninsula and is run by RTP-Atomflot. It has historically processed a small amount of LLRW from the Russian North Fleet. In 1994, the plant was operating near capacity, while storage capacity was virtually exhausted. Russia had no other LLRW processing capacity and, until 1993, disposed of LLRW in the Barents and Kara Seas. In 1993, an amendment to the London Dumping Convention of 1972 was introduced, which was aimed at the prevention of marine pollution by the dumping of wastes, including LLRW. All parties to the London Convention, except Russia, subsequently adopted a mandatory moratorium on all types of radioactive dumping. Russia promised to adhere to the protocol to the London Convention at the Moscow Nuclear Summit of 1996. In June 1994, to assist in realizing this the U.S., Norway, and Russia began exploring the possibility of expanding and upgrading this facility. The proposed expansion of this facility would increase capacity from 1200 cubic meters to 5000 cubic meters per year and would thus upgrade Russia's capability of processing LLRW from nuclear submarine decommissioning. Work on this plant is now 90 -percent complete, and the expanded facility is planned to be operational by the spring of 1999.

A second aspect of Russian cooperation with others on elimination of transborder pollution is Arctic Military Environmental Cooperation (AMEC), a trilateral initiative among Norway, Russia and the U.S. established in 1996. Six initial projects exist under AMEC, four of them deal with radioactive waste and two of them deal with non-radioactive waste (such as petroleum and chemical management resulting from the closure of military bases). The first AMEC radioactive waste project provides for the design and construction of a prototype 40-ton cask in support of the Cooperative Threat Reduction (CTR) program. The cask will provide interim storage and transportation of spent nuclear fuel from nuclear powered submarines (capable of launching nuclear missiles). The project will also construct a pad for the temporary storage of the 40-ton casks. The completion of this project will assist Russia in meeting its obligations under START, and will eliminate bottlenecks, facilitating the CTR schedule for submarine dismantlement. The cask portion of this project will be completed by October 30, 1999 and the pad will be completed on the July 31, 2000.

The most recent initiative on radioactive waste was the Murmansk 80-tonne Cask Initiative (also known as the Talbott Initiative). This project was launched by U.S. Deputy Secretary of State Strobe Talbott with a pledge of \$500 thousand at the January 1998 ministerial meeting of the Barents Euro-Arctic Council. Its aim is to design and construct a prototype 80-tonne cask that could be used for the dual purposes of temporary storage and transportation of undamaged spent fuel for nuclear submarines. This material is currently stored on the Lotta (a World War II barge that stores both damaged and undamaged SNF) and the Lepse (a service ship that has been used to replace SNF, but has more recently served as a de facto storage vessel because of bottlenecks in the waste stream). This project will also design and construct an outside concrete storage pad to accommodate 50 of the 80-tonne casks. The site of this pad is to be in the Murmansk region of the Kola Peninsula. The cost of this project is estimated to be between \$2.1M and \$2.5M. Funding for the 80-tonne cask

project has been pledged by the U.S., Sweden, Norway, Finland, and the EU. The UK is contributing separately to work with the Russian regulatory authority (GAN) on cask certification. Completion of the project is expected in December 1999.

Endangered Species

Trade in caviar from Caspian Sea sturgeon has recently been restricted under the Convention on International Trade in Endangered Species (CITES). In August 1998 former prime minister Kiriyenko signed a decree establishing a system of import/export controls on sturgeon and its byproducts, including caviar, to implement the recommendations of the Tenth Conference of the Parties of the CITES. In November, the Russian Government announced plans to limit the Russian sturgeon harvest to 700 tons, down from 1200 tons in 1998. Russia expects that other NIS Caspian littoral states will limit their catches by similar ratios, and that final quota values will be set early in the year. This, as well as conservation of the Siberian tiger and other Russian biodiversity, is an important area of U.S.-Russia cooperation.

As noted in past reports, while inconsistencies and partial retrenchments mark Russian environmental policies, the overall thrust in recent years has been positive. U.S. Government assistance, together with that of other international sources such as the World Bank, has helped reinforce the commitment to environmental progress.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Russia does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. The Georgian Government has requested the extradition of Igor Giorgadze, the former head of the Georgian security ministry, whom Georgia alleges is in Russia and was involved in the assassination attempt on President Shevardnadze. Russia has not responded to this request.

The United States began conducting regular counter-terrorism consultations with Russia in June 1994, and in November of 1994, initiated dialogues on cooperation to counter nuclear terrorism, the latest round of which took place in Washington in April 1997. In 1995, Russia joined the existing G-7 counter-terrorism expert consultative structure, and participates in P-8 discussions annually. In September 1998, Russian Foreign Minister Ivanov issued a joint statement with Secretary of State Albright on terrorism. Consultations on terrorism are scheduled for 1999.

Russia is a party to seven of the eleven international counter-terrorism conventions and initiated UN consideration of a proposed twelfth convention to combat nuclear terrorism.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. All of the non-Russian NIS have signed protocols with Russia under which Russia either will pay the debt in return for the assets or will take on management responsibility.

In April 1993, Russia and the official creditors of the former Soviet Union reached an understanding on rescheduling of outstanding arrears and 1993 maturities arising from credits extended to the former Soviet Union. The April agreement included a declaration signed by the Russian Government that acknowledged and confirmed Russia's liability for the debt to foreign creditors of the former Soviet Union. A bilateral agreement with the United States implementing the April accord was signed in Washington on September 30, 1993.

In light of continuing payment difficulties faced by Russia, Russia and its official creditors have reached a series of understandings related to the rescheduling of Russia's debt. On June 4, 1994, Russia and the "Paris Club" official creditors of the former Soviet Union reached agreement on rescheduling 1994 maturities arising from credits extended to the former Soviet Union. A bilateral agreement with the United States implementing the June accord with respect to debt owed to the United States was signed October 25, 1994. On June 3, 1995, the official creditors agreed to reschedule some seven billion dollars of Russian debt payments falling due during the year. A bilateral agreement with the United States implementing the June 1995 accord was signed October 9, 1995. In April 1996, Russia and its Paris Club creditors agreed to an exit agreement rescheduling \$40 billion of payments falling due in 1996-99, and some payments coming due after 1999. (An "exit agreement" is a Paris Club term of art used when the Paris Club creditor countries, the IMF, and the debtor country all agree to a rescheduling whereby the debtor country should be able to service its debts over time, without recourse to further rescheduling.) The 1996 rescheduling included a reprofiling of a portion of the stock of debt rescheduled in 1993. The U.S. share of this official debt was slightly less than \$2.3 billion. Repayment was scheduled over a 25-year period, including a grace period of approximately four years. When Russia joined the Paris Club in September 1997 as a creditor, it committed itself to extending the same concessional terms in rescheduling the debts of the least developed

countries as do the United States and other participating creditors. Russia failed to make payments of \$726 million to Paris Club creditors in August 1998. A total of \$5.506 billion is due to Paris Club creditors in 1999, \$1.791 billion of which comes due in the first quarter. Russia has made all payments to the USG under the Lend-Lease Agreement. Following the intensified financial crisis that began in August 1998, the Russian Government has announced that it will seek restructuring of the debt of the former Soviet Union.

In April 1996, Russia also reached agreement in principle with the "London Club" of commercial creditors for the rescheduling of about \$30 billion in commercial debt. Finalization of the agreement was achieved in the Third Quarter of 1997. Principal of approximately \$25 billion and the majority of past due interest will be spread over payback periods of 25 and 20 years respectively. Repayment of each category of debt was scheduled to begin after completion of a seven-year grace period. In these negotiations, Russia sought to restructure amounts owed banks not insured by official guarantees, arising from their loans to or other claims on the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs who may have been taken to the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POW/MIAs, which was established by the presidents of Russia and the United States in March 1992. President Yeltsin and the late General Dmitriy Volkogonov, former head of the Russian side of the Commission, pledged their full cooperation. President Yeltsin has directed all relevant Russian ministries to cooperate fully with the Commission. Until his death in December 1995, General Volkogonov oversaw a thorough and professional research effort conducted by Russian archivists in search of information on missing American servicemen. He also arranged for the U.S. side of the Commission to travel across Russia in order to interview Russian citizens and conduct research in regional archives. This level of U.S.-Russian cooperation on POWs/MIAs is unprecedented.

At the same time, lower-level Russian security officials have not always cooperated fully with Commission requests.

The Commission held its fifteenth plenary session in Moscow in November. On December 1, General Roland Lajoie became the new U.S. Chairman of the Commission replacing Ambassador Malcolm Toon, who served as U.S. Chairman since the Commission's inception. As of September 1996, the U.S. side has traveled to all twelve capitals of the New Independent States in search of information on missing American servicemen. The Russian side is headed by General-Major Vladimir Zolotarev, who was appointed in March 1996.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

Russian-Cuban ties have changed dramatically since the end of the Cold War. In 1991, Moscow ended its \$4 billion a year subsidy of the Cuban economy. In 1992, Russia halted construction of the Juragua nuclear power plant near Cienfuegos, Cuba. Russia does maintain a credit line for mothballing parts of the facility completed before suspension. We continue to monitor the status of the Juragua facility.

In 1993, Russia withdrew its last remaining combat troops from Cuba. Russian officials continue to assure us that Russia is not providing assistance to Cuba, and that all trade is conducted on a commercial, non-preferential basis. Russia continues to operate a signal intelligence facility at Lourdes.

The two remaining significant aspects of Russian-Cuban economic interaction are the oil-for-sugar barter arrangement and possible Russian provision of assistance and credits to Cuba in support of the Lourdes signal intelligence facility. The oil-for-sugar barter is an agreement to exchange Cuban sugar for Russian oil, with the quantities pegged to market values for each commodity. Reports of oil shipments totaling 3 million metric tons authorized by the Russian Government to Cuba as compensation for the use of Lourdes intelligence facility remain under review to determine whether the U.S. Government is required to reduce certain assistance to Russia pursuant to the provisions of Section 498A(d)(1) of the Foreign Assistance Act of 1961, as amended.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961

RUSSIA

Section 498A(b)(1): Has the President determined that the Government of Russia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. Although the protection of human rights remains uneven in some areas, and the newly adopted law on religion is grounds for concern, we do not believe that the Government of Russia is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Russia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. The Government of Russia has taken many constructive steps in this area (as discussed above).

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Russia "knowingly transferred to another country":

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

Russia joined the partnership of the MTCR in August 1995. Russia is a Party to the NPT, CWC and BWC, and the Russian Government has demonstrated a commitment to the non-proliferation of weapons of mass destruction. There was no termination of assistance to Russia during the reporting year under section 498A(b)(3). Additional information related to implementation of this section, however, has previously been provided to Congress on a classified basis.

Section 498A(b)(4): Is the Government of Russia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. The Government of Russia is not prohibited from receiving assistance under these sections.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Russia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30 day period?"

No. The Government of Russia is not prohibited from receiving assistance under these sections.

Section 498A(b)(6): Has the Government of Russia "failed to make significant progress on the removal of Russian or Commonwealth of Independent States troops from Estonia, Latvia, and Lithuania" or "failed to undertake good faith efforts, such as negotiations, to end other military practices that violate the sovereignty of the Baltic states"?

No. The process of Russian troop withdrawal from Lithuania was completed in 1993, and from Latvia and Estonia in 1994. Russia ceased operating its radar facility at Skrunda, Latvia on August 31 as called for in a bilateral agreement. Dismantlement of the Skrunda facility is underway and is expected to be completed on schedule.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TAJIKISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

With the signing of comprehensive peace accords on June 27, 1997, the stage has been set for the establishment of a more democratic government. Though the government remains dominated by President Rahmonov and other Tajiks from his native Kulyab region who were victorious in the 1992 civil war, the government pledged under the accords to form a coalition with 30 percent of the seats going to the opposition. By the end of 1998, the promised ministerial-level seats had been allocated, and some elements of the government-opposition coalition appeared to be cooperating effectively. In addition to opposition figures appointed, President Rahmonov has also somewhat expanded regional representation by appointing several non-Kulyabis to key government posts. Though the 1995 parliamentary elections, Tajikistan's first-ever on a multi-party basis, were marked by fraud and intimidation, the peace accords have also provided for a transition period leading up to the conduct of new parliamentary elections. Under the peace accords these elections were to take place before the end of 1998, but peace process implementation deadlines have been slipping, and it now appears that elections will take place sometime in 1999, at the earliest. As part of this process, the government agreed to lift the ban on four political parties suspended since 1993 as soon as Phase II of the military accord is completed. Progress was made in the adoption of a new law on political parties by the November 1998 parliamentary session. With the signing of peace accords, the completion of the repatriation process brought the last of the refugees in exile in Northern Afghanistan back into the country, including many opposition supporters. The cease-fire has effectively held, putting an end to the low-intensity insurgency against the current government carried out by the armed opposition. However, other armed elements clashed, and at times this past year the government was involved in violence to subdue these forces -- in several operations government and opposition forces cooperated in military operations against renegades opposed to the peace process. Due to the absence of widespread military conflict and the reduced level of violence, the government's human rights record improved somewhat, although serious problems remain. Freedom of the press continues to be severely restricted, as the government controls both press and broadcast facilities. The violence against journalists, which flared during the civil war, has largely abated. Freedom of assembly is limited. Following several large protest demonstrations that took place unimpeded in 1996, some of the key organizers were arrested and later killed during a 1997 prison uprising. The rule of law is applied unevenly at best, and the government has used the legal system to raise criminal charges against individuals that oppose it.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The civil war severely damaged Tajikistan's already-weak economic infrastructure, causing both industrial and agricultural production to fall sharply. Government revenue remains highly dependent on the cotton and aluminum industries. Preoccupied with the civil conflict, until recently the Tajik Government devoted little attention to economic reform. However, more recently the government has implemented several notable economic reform measures. In May 1995, the government introduced its own national currency, the Tajik ruble. On the advice of the International Monetary Fund (IMF), it subsequently liberalized the price of bread and flour and began to phase-out the state order system for cotton, one of Tajikistan's two major exports. In 1996 the government introduced measures designed to increase private agricultural production. Privatization of small-scale enterprises moved forward in 1997 and 1998. The government has made significant progress during the past year in achieving macroeconomic stabilization. In response to the restoration of macroeconomic stability, GDP grew in 1997 and 1998, the first real growth since independence in 1991.

Much needs to be done to advance Tajikistan's transition to a market economy. Privatization has begun in small retail facilities, but has yet to begin in earnest in the larger trade and distribution facilities. Accordingly, most property and almost all major economic concerns remain under the control of the state. The high inflation of 1995 that followed the introduction of the new currency slowed dramatically in 1996, thanks to adherence to IMF recommendations. After an increase in inflation in 1997, the government maintained fiscal and budgetary discipline in 1998 and succeeded in achieving macroeconomic stabilization. Though the government has been chronically behind in paying salaries and pensions, most were paid in 1997 and 1998. In May 1996, the IMF approved a first \$22 million credit tranche standby program to support Tajikistan's economic reform program through the end of 1996. The IMF loan is intended to support government efforts to reduce monthly inflation, build up international reserves, and slow the decline in output and real income. The World Bank

has concluded several agreements with Tajikistan, including a \$50 million loan agreement in September 1996, and two \$10 million tranches of post-conflict transition support in 1997, and a \$50 million Structural Adjustment Credit in July 1998.

Tajikistan is a member of the IMF, IBRD and EBRD, and this year became a member in the Asian Development Bank. An OPIC agreement entered into force in 1992. Negotiation of a bilateral trade agreement began in 1992, but was suspended due to the civil war, and has not yet been signed. A bilateral trade agreement was signed and ratified in 1993. MFN status was granted in November 1993. Tajikistan has not applied to join the World Trade Organization.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The serious human rights violations by both the government and the armed opposition that were rampant during the most intense period of civil conflict have largely come to an end with the effective observation of a general cease-fire between the two sides. Though these armed confrontations between government and opposition forces have ended, a significant number of extra-judicial killings took place, though assignment of blame is still not possible. Some killings were probably committed by government forces, some by the opposition, and some by independent warlords with loyalty to neither. Several prominent figures were killed in such unresolved killings. Several Russian army officers and members of their families were killed during the year, though these individuals were likely targeted not so much for their ethnicity as their role in the armed forces. The government rarely prosecutes security officials believed responsible for human rights abuses, though in some cases such officials have been reprimanded and/or transferred to other areas.

The government cooperated with the United Nations High Commissioner for Refugees (UNHCR) in the repatriation of Tajik refugees from Afghanistan, and by 1998 the final tranche of refugees finished returning to their homes. It has now turned its attention to the question of working with the UNHCR, the International Organization for Migration, and the International Committee of the Red Cross to facilitate the return of remaining internally-displaced persons from eastern Gorno-Badakhshan *oblast* (region), and those who sought refuge in other neighboring states. Some of this latter group may have settled in their new homes as economic migrants, and have no intention of returning to Tajikistan at this time.

Retribution against returnees by local militias did not take place as originally feared, and the government has made positive efforts to resolve the cases of returnees whose homes had been occupied during their absence. Persons from Kulyab continue to be favored over those from other regional clan groups and some harassment of those from the opposition-stronghold areas of Gharm and Pamir continues. Fear about the future as well as linguistic and employment discrimination against the Russian minority led to significant out-migration of this group in recent years. This trend has slowed significantly after the situation has stabilized, and as most of those with family in Russia have already left. Emigration will likely be further slowed by a 1996 agreement with Russia permitting dual citizenship.

According to the Constitution, Tajikistan is a secular state, and church and state are separate. Religious freedom is guaranteed by law. While Islam is the majority religion, minority religions enjoy both government and individual tolerance. There are no reports of official discrimination against religious minorities. The Russian Orthodox Church and a Jewish synagogue function in Dushanbe. One issue of contention is that there are elements in the opposition that would seek to amend the constitution to make Tajikistan an Islamic State.

Tajikistan has no law on emigration. Nationals who wish to travel abroad must obtain an exit visa, but there is no evidence that these are being withheld for political reasons. Those wishing to emigrate must notify the appropriate authorities and obtain required documentation. Those who fled Tajikistan for political reasons after the civil war have largely returned safely, including most of the prominent opposition leaders who for some years had remained fearful about doing so.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Tajikistan has made a public commitment to respect international legal obligations and OSCE commitments. It has cooperated with the OSCE mission in Dushanbe on matters related to electoral law, human rights monitoring, and efforts toward a political settlement to the conflict. The OSCE mission in Tajikistan was expanded in 1995 to take on human rights monitoring functions previously carried out by the UNHCR, and continued its work in this field throughout 1998. The government has not yet established a human rights ombudsman as recommended by the OSCE, despite its statement in 1996 that it would do so. The government has, however, permitted human rights organizations such as Human Rights Watch to establish offices and operate in Tajikistan.

Tajikistan has outstanding border disputes with Kyrgyzstan and China, but neither has erupted into armed conflict, nor are they likely to. Given the current uncertainties about implementation of the peace process and the extent to which Tajikistan's nascent military is needed for internal security, Tajikistan has neither the capacity nor the intention to pursue aggressive actions against any of its neighbors. Tajikistan has been an active participant in regional dialogues and cooperative peacemaking efforts. However, most of its efforts at conflict resolution have been domestic – participating in the inter-Tajik peace negotiations, seeking reconciliation following its own civil war.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Government of Tajikistan has welcomed international efforts to seek a peaceful resolution of the ongoing Tajik civil conflict. A three year UN-mediated negotiating process of peace talks with the Tajik opposition led to the June 27, 1997 signing of comprehensive peace accords and the creation of a Commission on National Reconciliation chaired by opposition leader Nuri. In 1998, the two sides made definite progress on implementation of these accords, though almost all of the deadlines slipped. The government cooperates with the United Nation Mission of Observers in Tajikistan (UNMOT) which monitors the implementation of these accords.

The Tajik conflict is primarily a regional and clan-based struggle. Although the population is 25 -percent ethnic Uzbek, and Uzbeks were involved in the civil war and fought in support of the government side against the opposition, the ethnic question was not an aspect of the war. Instead it allowed sub-ethnic regional identities among Tajiks to take on an almost ethnic quality, as discrimination against Tajiks from other regions such as Garm and the Pamir region took place.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Tajikistan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Tajikistan is a party to the Treaty on the Non-Proliferation of Nuclear Weapons as a non-nuclear-weapons state and supported indefinite extension of the Treaty at the NPT Review Conference in 1995. Tajikistan's fledgling military forces do not represent an offensive threat to neighboring states. There is no evidence suggesting Tajikistan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. Tajikistan is a party to the 1993 Chemical Weapons Convention. Tajikistan has taken steps to establish a basic framework for export controls including adoption in 1997 of an export control law. The border with Afghanistan is porous and cross-border arms transfers have occurred, with Russia and Iran currently using an airfield in southern Tajikistan as a staging area for supplying weapons to the anti-Taliban alliance in Northern Afghanistan.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Tajikistan's efforts to protect its environment remain overshadowed by its political problems. The U.S. Geological Survey has cooperated with Tajikistan in the past on a program of earthquake monitoring. The government has committed to regional cooperation on Aral Sea problems and is a member of the Interstate Council for the Aral Sea. Tajikistan has introduced a limited program of water pricing which has decreased consumption and is working to modify legislation to promote environmentally sound policies. The United States and the European Union have agreed to work together to establish an independent, non-profit, and non-political Regional Environmental Center (REC) to serve the countries of Central Asia. The mission of the REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making. Almaty, Tashkent and Bishkek all have been proposed as REC locations.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Tajikistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Tajikistan is a party to five of the eleven international counter-terrorism conventions. Tajikistan has been critical of the Taliban in Afghanistan for harboring Usama bin Ladin, and openly opposes his brand of Islamic terrorism.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Tajikistan signed both the October and December 1991 agreements. The December 1991 agreement provided that Tajikistan's share of the FSU debt would be 0.82 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In October 1993, Tajikistan signed a "zero option" agreement with Russia under which Russia will pay Tajikistan's share of the debt, in return for its share of the assets.

Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The U.S. side of the Commission visited Tajikistan in September 1996. The visit was positive and indicated American interest. Requests for information were broadcast on local television, but there is no indication that any American POWs are in Tajikistan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Tajikistan is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TAJIKISTAN

Section 498A(b)(1): Has the President determined that the Government of Tajikistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While there have been serious shortcomings in human rights observances in Tajikistan owing to ongoing civil strife, the government has taken efforts to address some aspects of the situation. In some areas, especially political violence, abuses have decreased. Many of the shortcomings result from the government's lack of control over armed warlords, and not from government policy.

Section 498A(b)(2): Has the President determined that the Government of Tajikistan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. The Government of Tajikistan has not failed to take action to facilitate effective implementation of arms control obligations.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Tajikistan "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Tajikistan in 1998.

Section 498A(b)(4): Is the Government of Tajikistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Tajikistan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Tajikistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

The U.S. Government is not aware of the Government of Tajikistan providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TURKMENISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The Government of Turkmenistan made limited progress in 1998 in moving toward a democratic system of government. The country remains a one-party state dominated by President Saparmurad Niyazov and his closest advisors. The President has continually emphasized stability over political reform. In 1994, a referendum of questionable constitutionality extended President Niyazov's term of office until 2002. The government registered no parties in 1998 and continued to repress opposition political activities. During his April 1998 visit to the U.S., President Niyazov committed to taking concrete steps to strengthen the rule of law and political pluralism, including free and fair multi-candidate elections for parliament in 1999 and for president in 2002, and followed up with public statements in Turkmenistan to this effect. The April 5, 1998 elections for local legislative bodies and the Council of Elders were, in most instances, multi-candidate races.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Government of Turkmenistan has taken a slow approach to economic reform. On December 27, 1995, President Niyazov announced a series of macroeconomic reforms, which covered, among others, the three key reforms recommended by the IMF: control of the expansion of credit, limited national budget deficits and liberalized foreign exchange. President Niyazov plans a ten-year state-managed transition and hopes to utilize hard currency earnings from Turkmenistan's natural resources to finance expenditures and soften the impact of the economic transition. The economy, however, remained predominantly under state control. In 1997, the World Bank approved \$64 million in projects for Turkmenistan in the areas of urban transport and water supplies. The Government of Turkmenistan has promised to enact significant economic reforms over the next two years under these programs. Cumulatively the World Bank has funded three projects worth \$89.6 million.

Turkmenistan has laws on foreign investment, banking, property ownership and intellectual property rights, but respect of contracts remains an issue. The government introduced its currency, the manat, in November 1993, which has helped it establish an independent monetary policy. A bilateral trade agreement providing for reciprocal most favored nation (MFN) and containing IPR (intellectual property rights) provisions entered into force October 1993. The OPIC agreement entered into force in June 1992. Further discussions are needed on the bilateral investment treaty to avoid double taxation before finalization. Turkmenistan is a member of the IMF, World Bank, ADB and IBRD. Turkmenistan has not applied to join the World Trade Organization.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government's record on recognition of internationally recognized human rights is poor. It has largely avoided extrajudicial killings, but the authorities routinely beat criminal suspects, prisoners, and witnesses before and after trial. It restricts civil and political rights, and security agents have used force to suppress political opposition. In April 1998 the Turkmen Government released five political prisoners held in connection with this demonstration, released an additional dissident held on hooliganism charges and released dissident Durdymurad Khodzha-Muhammed from a psychiatric hospital. Others who have protested government policies and economic conditions reportedly remain in psychiatric hospitals. The government tolerates virtually no political opposition and completely controls the media, censoring all newspapers and rarely permitting criticism of government policy or officials. The government has attempted to extradite Turkmen dissidents from Uzbekistan and Russia on charges that appear politically motivated. As part of its efforts to foster a sense of nationhood among the Turkmen, the government has reversed decades of favoritism toward Russians. Ethnic Turkmen now receive favored treatment, leading ethnic minorities to complain of discrimination, especially in employment practices.

The constitution guarantees freedom of religion and does not establish a state religion. State harassment of religious groups has ended, and religious freedom is generally respected. Recent legal amendments provide greater religious freedom, but tighten government control over religious groups. Religious congregations are technically required to register

with the government. The requirement that religious organizations have at least 500 members has prevented some minority religions from legally establishing themselves.

The government does not generally restrict movement within Turkmenistan, although travel to border zones is tightly controlled. The government uses its power to issue passports and exit visas as a general means of restricting international travel by its critics. While most citizens of Turkmenistan are permitted to emigrate without undue restriction, some government opponents have been denied the opportunity to emigrate.

The National Institute for Democracy and Human rights was founded in 1996 with a mandate to support democratization and monitor the protection of human rights. While its investigation of poor prison conditions led to a general amnesty, the Institute is not independent of the government.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Turkmenistan has a proclaimed policy of neutrality and has done nothing inconsistent with its OSCE obligations to refrain from the threat of the use of force and to settle disputes peacefully. Turkmenistan is at peace with its neighbors. The Turkmen military does not currently present an offensive threat to the region. It has been complying with CSBM (Confidence and Security Building Measures) provisions by submitting CSBM declarations and undergoing an inspection in February 1998.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Turkmenistan supports regional and international efforts to resolve peacefully the conflicts in Tajikistan and Afghanistan. It played a role in bringing the warring parties in Tajikistan together by hosting inter-Tajik peace talks

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

The Government of Turkmenistan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Turkmenistan acceded to the Non-Proliferation Treaty in 1994. Turkmen armed forces are guided by a defensive military doctrine. We do not believe that Turkmenistan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technologies. Turkmenistan is a party to the 1993 Chemical Weapons Convention and a party to the Biological Weapons Convention. To our knowledge, Turkmenistan has not engaged in any significant level of conventional arms transfers.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Although Turkmenistan has one of the best developed systems of nature preserves in Central Asia, its Karakum Canal contributes to the region's most serious environmental problems, notably in the Aral Sea, by exacerbating existing water pollution, pesticide run-off, and water-table problems. The Interstate Fund on the Aral Sea, made up of the five Central Asian states and several international organizations secretariat, has a rotating presidency, which will be held by President Niyazov in 1999 and the executive committee will move to Ashgabat in the spring of 1999.

Turkmenistan is currently engaged in talks with Russia, Azerbaijan, Kazakhstan and Iran on environmental protection of the Caspian Sea. These marine environmental protection talks will include discussion of development of the mineral resources of the Caspian seabed and use of the sturgeon population in a way that protects the Caspian ecosystem.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Turkmenistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Turkmenistan is not a party to any of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December

1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union (FSU). The Government of Turkmenistan signed the October but not the December 1991 agreement. The December 1991 agreement provided that Turkmenistan's share of the FSU debt would be 0.70 percent. In July 1992, the Government of Turkmenistan signed a "zero option" agreement with Russia under which Russia will pay Turkmenistan's share of the debt in return for its share of the assets.

Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. In November 1995 the Commission visited Turkmenistan, where it was warmly received by, and received full cooperation from, the Government of Turkmenistan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence to indicate that the Government of Turkmenistan is providing military, economic, nuclear, or other assistance to Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TURKMENISTAN

Section 498A(b)(1): Has the President determined that the Government of Turkmenistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. Nonetheless, the U.S. Government is deeply concerned about the serious violations of human rights discussed above and will continue to make human rights issues a central element of our dialogue with the Government of Turkmenistan.

Section 498A(b)(2): Has the President determined that the Government of Turkmenistan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Turkmenistan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Turkmenistan "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We do not believe that the Government of Turkmenistan has made such transfers.

Section 498A(b)(4): Is the Government of Turkmenistan " prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of Turkmenistan is prohibited from receiving assistance by these statutes.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Turkmenistan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Turkmenistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

The U.S. Government is not aware of any information that the Government of Turkmenistan is providing assistance for, or engaging in any non-market-based trade with the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

UKRAINE

Section 201 of the FREEDOM Support ACT amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Ukraine has made progress in building a democratic society. The 1995 election of former Prime Minister Leonid Kuchma to the Presidency in a run-off election against incumbent Leonid Kravchuk constituted the first peaceful, democratic, contested transfer of executive power in independent Ukraine and, indeed, in the former Soviet Union. Ukraine's second parliamentary elections were held in March 1998. Domestic and international observers concluded that the elections were free and fair. Nonetheless, there were reports that the government interfered with the electoral process, increased pressure on the media, and may have manipulated the judiciary in connection with the overall electoral process. The Ukrainian constitution provides a good legal framework for protecting civil and political rights. However, many constitutional provisions still await the passage of enabling legislation. Because of this, actual human rights practices often do not conform to constitutional requirements. The constitution mandates an independent judiciary, headed by a Constitutional Court that determines the constitutionality of laws and acts by all branches of government. However, the courts remain subject to considerable political interference.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Ukraine has made important progress in creating an economy based on market principles, private ownership and integration into the world economy, but much work remains to complete the transition. The International Monetary Fund (IMF) supported the government with \$760 million under a Structural Transformation Facility agreement and subsequently with a series of Stand-by Arrangements in 1995, 1996, and 1997. Stalled reforms and the effects of the Asian financial crisis forced a suspension of the 1997 Standby and most World Bank lending in February 1998 and pushed the country close to financial crisis. After difficult negotiations, the government concluded an ambitious, three-year Extended Fund Facility (EFF) with the IMF in September. However, slow progress on structural reform, the lack of foreign investment, and the economic turmoil in Russia continue to place Ukraine's economy in a precarious position. The climate for foreign investment remains problematic, with several prominent problem investment cases severely discouraging potential international investors.

Ukraine has succeeded in arresting hyperinflation, unifying and stabilizing the foreign exchange market, substantially liberalizing prices, ending most government subsidies and eliminating export quotas. Because of a decline in the value of the currency, inflation, which had fallen to about 10 percent in 1997, is expected to exceed 20 percent in 1998.

Ukraine introduced a new currency, the hryvnia, in September 1996. The transition was smooth, and the hryvnia was relatively stable until its decline following the Russian financial crisis in August 1998. With a few significant exceptions, imports and exports are unrestricted. Ukraine seeks to join the World Trade Organization, but has made little progress in the past two years on trade policy issues and appears unlikely to join in 2000.

The Kuchma administration's chief challenge in economic policy is to put Ukraine firmly on the path to economic growth. GDP declined about 3 percent in 1997, with an expected decline of about 1.5 percent in 1998. Creating a modern tax system continues to be difficult for the Ukrainian Government. In 1998, the legislature approved important reductions in the payroll tax, introduced simplified taxes for small business and farmers, and took other important steps to broaden the tax base. However, frequent, often arbitrary, changes in tax rates and procedures encourage widespread tax evasion. The government has introduced a program to reduce intrusive government regulation, reduce burdensome licensing procedures and limit the frequency of government inspections, although the results are uncertain. It has completed the privatization of 8,000 medium-and-large scale enterprises, but privatization and restructuring of large state enterprises has been stalled. Reform and privatization have also been stalled in the crucial energy and agriculture sectors, due primarily to disagreement between the parliament and the administration on how to proceed. Serious problems persist in the investment climate, with widespread corruption, arbitrary government actions, lack of respect for contracts, and lack of enforcement of property laws and court decisions. Although, the constitution guarantees the legal equality of all forms of ownership and the inviolability of private property, the Rada has not passed legislation to implement these constitutional guarantees. Ukraine was placed on the USTR IPR Watch List in 1998. USTR and Ukraine have established an intellectual property working group and the

latter agreed to establish an inter-ministerial commission headed by a deputy prime minister to address Ukraine's IPR shortcomings.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The rights to freedom from extrajudicial or political killings and disappearance, freedom of speech, freedom of assembly, and political rights are generally upheld. With the assistance of the OSCE, the Governments of Ukraine and Uzbekistan agreed in 1998 to simplify procedures for more than 65,000 Crimean Tatars to relinquish their Uzbek citizenship and to abolish the fee formerly charged by Uzbekistan. Ukrainians who wish to travel abroad are able to do so freely. Exit visas are not required. The government can deny passports to individuals with access to state secrets, but this is rarely done and can be appealed.

Still, the State continues to intrude in citizens' lives. The government interferes on occasion with freedom of the press. Abuses continue in the unreformed legal and penal systems and the military. Police and prison officials regularly beat detainees and prisoners; beating of conscripts in the military is common. Lengthy pretrial detention is endemic. Societal anti-Semitism and violence and discrimination against women and racial minorities persist. Harassment of racial minorities, including by the police, is a problem. Minorities claim that police officials routinely ignore, and sometimes abet, violence against them.

Ukraine is an important source country for girls and women trafficked for sexual exploitation. The government has taken steps to address this problem. An April 1998 amendment to the criminal code imposes harsh penalties for trafficking in human beings, but the effectiveness of these steps has not yet been established.

The government generally does not interfere with the registration of religions and has allowed the opening of seminaries and Jewish religious schools. It has a very good record on interethnic and intercommunal matters — particularly with Ukraine's 500,000-strong Jewish community — although some American and Ukrainian Jewish groups continue to encourage the Ukrainian Government to speak out more forcefully against anti-Semitic manifestations in the nationalist press.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Ukraine adheres to obligations under the Helsinki Final Act and the Charter of Paris and respects international law. Ukraine has no territorial claims on other states. In 1997, it signed a treaty with Romania to assist in resolving border disputes. Ukraine also reached a border agreement with Belarus. In addition, Ukraine has sought the advice and counsel of the OSCE in resolving peacefully outstanding political differences regarding Crimea. The OSCE mission in Ukraine, which focuses primarily on Crimean issues, has received a final extension until April 1999. Negotiations for an OSCE role in Ukraine subsequent to the termination of the mission are ongoing.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Ukraine has played a constructive role in the search for a peaceful resolution of the separatist dispute in neighboring Moldova by participating in multilateral talks, including hosting a November 1998 conference of participating countries, and by attempting to interdict arms shipments into and out of the disputed zone of Transnistria. The treaty with Romania resolved most questions involving a highly politicized border question established a procedure to resolve the remaining issues. A battalion of Ukrainian peacekeeping forces serves with the UNPROFOR mission in Bosnia and has suffered many casualties. Ukraine has also contributed to the UN peacekeeping mission in Eastern Slavonia and the OSCE Kosovo Verification Mission. In May 1997, Ukraine and Poland signed a Declaration of Historical Reconciliation to improve Polish-Ukrainian ties. Also in 1997, the Governments of Russia and Ukraine signed several agreements towards resolving issues concerning Sevastopol and the former Soviet Black Sea Fleet and also signed a Treaty of Friendship and Cooperation. Neither has been ratified by both parliaments.

Within its own borders, Ukraine has fostered peaceful resolution of political differences with Crimea by inviting and encouraging the active participation of the OSCE in evaluating the situation and making recommendations. The constitution grants a certain degree of autonomy to Crimea. Ukraine also has made clear efforts to guarantee rights of persons belonging to minorities and has been free of widespread ethnic conflict.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Ukraine is not engaged in the proliferation of nuclear, biological, or chemical weapons, or related technology. Ukraine has acceded to the Nuclear Nonproliferation Treaty (NPT) as a non-nuclear-weapons state. It is a party to START I and it has been a participant in the Standing Consultative Commission, and in discussion and negotiation on Anti-Ballistic Missile (ABM) Treaty succession. Ukraine signed the Comprehensive Nuclear Test Ban Treaty in September 1996. Ukraine continues to be a nuclear weapons-free state.

Ukraine's compliance with the CFE Treaty has generally been good. Ukraine completed its Treaty-required reduction obligations and is now within all Treaty limits – although there are concerns that Ukraine met some Treaty limits by the questionable means of declaring quantities of equipment as temporarily in the area of application while awaiting export. In addition, Ukraine shares with Russia a joint reduction obligation related to equipment in naval infantry and coastal defense forces (NI/CD). This obligation, which derives from a CFE Treaty-related document, has not been fully met. Ukrainian officials expressed their intention to comply fully with this NI/CD obligation once the Black Sea Fleet negotiations were completed. Although agreement was reached on former Black Sea Fleet equipment in 1997, neither Russia nor Ukraine has issued the necessary CFE Treaty notifications required to resolve the NI/CD issues (the Black Sea Fleet treaty remains unratified by either nation).

Ukraine has cooperated with efforts to limit proliferation of weapons and technologies of mass destruction. An original signatory to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and their Destruction, Ukraine ratified the agreement in October 1998. Ukraine is a party to the 1972 Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction. Ukraine is a member of the Nuclear Suppliers Group and as such has adopted current international export standards. Ukraine has cooperated constructively on individual cases of concern raised by the United States and has stated that it will not provide assistance to unsafeguarded nuclear programs. In March 1998, Ukraine took the positive, politically difficult step to withdraw its participation in a project to provide key components for an Iranian nuclear power plant.

Ukraine acceded to Missile Technology Control Regime (MTCR) membership in July 1998. As an MTCR member, Ukraine has committed to abide by the MTCR Guidelines and Annex and to exercise restraint in consideration of all transfers of Annex items.

The U.S. Government works closely with Ukraine on the improvement of its export control system and to stop the proliferation of conventional arms and weapons of mass destruction. While Ukraine has the potential to be a major arms supplier, it is complying with the Wassenaar Arrangement and has been responsive to U.S. inquiries about alleged arms dealings with pariah states.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Significant environmental problems remain in Ukraine, particularly from the after-effects of Chornobyl and widespread industrial pollution. The Ukrainian Government's capacity to manage regulatory programs is insufficient to the task, as many environmental functions have been decentralized. Nevertheless, environmental consciousness is growing, led by an active green movement.

In 1995, Ukraine signed a Memorandum of Understanding (MOU) with the G-7 on a comprehensive program to close the Chornobyl nuclear power plant by the year 2000. The United States has worked closely with Ukraine and our G-7 partners to implement the MOU. The program seeks to help Ukraine close Chornobyl safely while undertaking energy sector reforms and power sector investments needed to ensure that Ukraine's power needs will continue to be met. However, financial difficulties, problems with traditional gas suppliers Russia and Turkmenistan, and the slow pace of reform in the energy sector have led to insufficient development on new sources of power, leading to the possibility that Ukraine make seek to prolong the use of Chornobyl beyond the year 2000. The World Bank and EBRD remain active in financial support of energy market reform.

The Government of Ukraine has taken steps to address environmental issues, mainly through the Ministry of Environment and Nuclear Protection. Given the poor economic situation in Ukraine, however, full implementation of a pollution fee system taxing air and water emissions and solid waste disposal has lagged. National environmental NGOs are slowly gaining access to the policy-making process on environmental issues. Ukraine has shown an interest in regional cooperation on environmental issues and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on international environmental issues. The US, EU and Ukraine are cooperating to establish a Regional Environmental Center (REC) to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making and provide modest grants to NGOs for projects. Ukraine is also working with the U.S., EU and others to address pollution problems in the Black Sea.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Ukraine does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Ukraine is a party to eight of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In December 1994, Ukraine signed a "zero option" agreement with Russia under which Russia agreed to pay Ukraine's share of the debt in return for its share of the assets. However, Ukraine's Rada has not ratified the agreement and Kiev is still negotiating its details with Moscow. Disputes over ownership of former USSR diplomatic property continue.

Please see section 498(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, established in March 1992. The U.S. side of the Commission visited Ukraine in December 1992 and August 1993. Ukraine continues to cooperate in the search for evidence on American POWs/MIAs.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Ukraine is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

UKRAINE

Section 498A(b)(1): Has the President determined that the Government of Ukraine has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While problems remain in the observance of certain freedoms, we do not believe that the Government of Ukraine is engaged in a pattern of gross violation of human rights or international law.

Section 498A(b)(2): Has the President determined that the Government of Ukraine "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. Ukraine has taken numerous actions to facilitate the implementation of arms control agreements signed by the USSR.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Ukraine "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We do not believe that the Government of Ukraine has made such transfers.

Section 498A(b)(4): Is the Government of Ukraine "prohibited from receiving such assistance by section 101 or 102 of Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Ukraine "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Ukraine under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

Ukraine is not providing assistance to Cuba. Ukraine and Cuba carry out a small level of trade. Some transactions could be construed as barter, but do not involve terms more favorable than those generally available in applicable markets or for comparable commodities.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

UZBEKISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Although President Karimov and the highly centralized, authoritarian executive branch continued to dominate political life, the Uzbekistani Government took a few steps toward democratic reform in fiscal year 1998. The government continued to deny registration of independent political parties and other groups potentially critical of the government, but permitted meetings of independent party activists to take place without interference. A meeting of activists to discuss formation of a new "unified" opposition party took place in early October 1998 near Tashkent. The government committed itself to "free and fair elections (in 1999 and 2000) with international observers" in the Final Report of the U.S.-Uzbekistan Joint Commission, signed in February 1998, and participated in an October 1998 OSCE seminar for training of election officials.

The government also continued to deny registration of independent human rights NGOs; to hold a number of political prisoners; and to fail to account for the disappearance since 1992 of four Muslim religious leaders for which the Government of Uzbekistan is believed to be responsible. Police and the National Security Service abused both dissidents and other citizens, although reported abuses against dissidents were few. Despite a 1997 law providing for prison reforms and assuring basic rights for prisoners, prison conditions remained poor. Similarly, although the constitution expressly prohibits it, press censorship continued. At the same time, the government permitted the formation in May of the Uzbek National Media Association, a grouping of independent TV and radio broadcasters, and allowed it to elect one of its own as president.

After some initial hesitation, the government permitted the opening of four privately-owned radio stations. There are between 30 and 40 privately-owned local television stations. Generally, broadcasters practice self-censorship and enjoy some leeway in reporting critically on local government. Samarkand Independent Television, which operates four channels, is known for such reporting and denies being formally censored. The BBC broadcasts for one-half hour daily on the official radio station in Tashkent in English. Radio Free Europe/ Radio Liberty, the Voice of America, and BBC Radio, along with the less widely available cable TV channels, are among the few sources of uncontrolled news. The government does not interfere with their operation.

The government does not allow general distribution of foreign newspapers (with the exception of certain Russian papers) and other publications. However, limited numbers of foreign periodicals began to appear in Tashkent's two major hotels, and authorized groups can obtain foreign periodicals through subscription. There are no private publishing houses, and government approval is required for all publications.

A new mass media law, which came into effect in January 1998, guarantees freedom of expression, protects the rights of journalists and reiterates the ban on censorship. Nonetheless, several articles are worded in such a way that they could be used to punish government critics. One provision makes journalists responsible for the truth of the information contained in their news stories, potentially subjecting journalists to prosecution if a government official disagrees with a news report. Another permits authorities to close media outlets without a court judgment. Finally, the law prohibits registration of organizations whose purposes include subverting or overthrowing the constitutional order.

Some of the radio and television stations may not be able to meet the new mass media law's requirements for registration, particularly the new annual broadcasting fees and required technical standards. Several entrepreneurs intending to open radio stations have been discouraged from doing so by high fees. Through September 1998, three television stations had been denied registration under the new laws because of deficient applications. The denials do not appear to have been politically motivated.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Despite improvement in Uzbekistan's legislative framework and a continued rhetorical commitment to gradual transition to a market economy and support for foreign investment, progress toward market reform has been limited. However, major economic indicators for 1997 (the most recent year available) moved in the right direction: real GDP growth improved (from

1.6 percent in 1996 to 2.4 percent), inflation declined (from 64 percent to 50 percent per year CPI, end period), the current account deficit shrank (from 7.2 percent to 4.1 percent of GDP), and the budget deficit fell from (7.3 percent to 2.3 percent of GDP).

Access to foreign exchange remained restricted and the system of multiple exchange rates remained in place. In fact, the government created a new administratively set rate, supposedly to benefit foreign investors. Parallel exchange rates remained close to double the official rate. Bureaucratic delays in securing foreign exchange licenses hampered growth of foreign investment. Privatization remained slow and formal and informal barriers continued to hamper growth of the fledgling private sector. President Karimov decreed that current account convertibility would be restored, but not until 2000.

Uzbekistan is a member of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD). In September 1998, it submitted its Memorandum of Foreign Trade regime to the World Trade Organization (WTO) Secretariat, its first concrete step toward WTO membership. Major trade deals, including some with Eximbank financing, were concluded for purchases of U.S. commercial aircraft and agricultural equipment.

An OPIC agreement entered into force in October 1992, and a trade agreement that includes intellectual property right provisions entered into force in January 1994. The bilateral investment treaty signed in December 1994 continued to await approval by the U.S. Senate. Preliminary discussions on a treaty to avoid double taxation began in 1993, but major tax reform in Uzbekistan will be necessary before negotiations can move forward. Implementation of the April 1997 tax law in January 1998 resulted in enactment of some of these reforms.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The 1992 law on citizenship and the constitution prohibit discrimination on the basis of sex, religion, language, or social status, and officially sanctioned discrimination does not occur. The government continues to voice rhetorical support for human rights. The election, religion and media laws all contain statements of principle that, if adhered to in practice, would substantially improve the government's human rights record. The Office of the Human Rights Ombudsman formed in 1997 reports it is assisting hundreds of citizens in redressing human rights abuses, most of which appear minor. In September the Ombudsman formed a consultative committee on human rights and invited a variety of Uzbekistani and foreign observers to join it. In October, the Ombudsman held a well-attended seminar for officers on observing human rights in the military.

The government continued to severely limit freedom of speech and the press, and it remained virtually impossible for citizens to criticize the government publicly without repercussions. The Secretary General of the (unregistered) Human Rights Society of Uzbekistan was allowed to attend an OSCE implementation meeting in early November 1998, but was severely beaten outside his hotel after giving a speech highly critical of Uzbekistan's government. The government has granted academic institutions more autonomy than they had in the Soviet period. Nonetheless, freedom of expression is still limited.

Freedom of religion and its public expression are largely observed. However, in late 1997 and early 1998, Uzbekistani authorities arrested hundreds, perhaps over a thousand, individuals in the Ferghana Valley and Tashkent suspected of supporting political Islam. In May, the government institutionalized its effort to control independent Islamic groups by passing a religion law that imposed new, onerous registration requirements and broadened restrictions on religious practices. The government again closed some activist mosques and continued to prohibit religious parties. The government justified this repression by invoking the specter of Islamic fundamentalism ("Wahhabism") and the threat of theocratic ideology emanating from Iran and the Taliban in Afghanistan.

The constitution provides for free movement within the country and across its borders. As a result of a reform of regulations in 1995, exit visas are in principle easy to obtain, are valid for a period of two years, and do not require an invitation from abroad.

Local authorities sometimes withhold or delay issuance of passports or visas for political and administrative reasons to prevent persons from making short-term trips abroad, including some individuals selected to participate in official exchange programs. Some persons allegedly received their passports or exit visas only after paying bribes. Those who leave without an exit visa may be subject to severe penalties upon return.

Most barriers to emigration were lifted before the breakup of the Soviet Union. Although in some instances emigrants are delayed by long waits for passports and exit visas, potential emigrants who can find a host country willing to accept them are able to leave the country. Since independence, a significant number of ethnic Russians, Jews, ethnic Ukrainians, and others have emigrated from the country, although no exact figures are available. Ethnic Russians have been dismissed from almost all the high government positions they held and from the military. However, by most accounts, emigration occurred not because of any systematic human rights abuses, but rather because of concern that economic and social conditions would decline in Uzbekistan. More recently, there has been a return of some emigrants, especially from Russia.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Uzbekistan has respected international law and obligations, including those arising from non-proliferation and weapons control treaties it has signed. It joined the OSCE in January 1992. An OSCE regional office opened in Tashkent in September 1995, and the OSCE has held several national or regional seminars in Uzbekistan on human rights and other subjects. Most recent have been a September 1998 seminar on environment and security and an October 1998 seminar to train election officials. Nevertheless, the government's censorship policies and restrictions on free speech are continuing violations of obligations under the Helsinki Final Act and the Charter of Paris made by the Government of Uzbekistan upon joining the OSCE, and its May 1998 religion law, if fully implemented, would also violate OSCE obligations. Uzbekistan also does not recognize or provide freedom of assembly.

Uzbekistan continued throughout the reporting period to refrain from the threat or use of force. It continued to work actively with Kazakhstan and Kyrgyzstan to train and make operative a Central Asian Peacekeeping Battalion suitable for UN missions.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Government of Uzbekistan supports regional and international efforts to resolve the conflicts in neighboring Tajikistan and Afghanistan. The government successfully promoted formation of a new, eight-nation contact group on Afghanistan under UN auspices, which has met several times since October 1997, and advocated use of the contact group to bring together the warring parties and undertake confidence-building measures. It continued to advocate an international arms embargo on Afghanistan.

In addition to participating with a reduced battalion in the Commonwealth of Independent States peacekeeping force in Tajikistan, the Government of Uzbekistan is a guarantor of the June 27 Tajik peace accords and allowed UNHCR to repatriate Tajik refugees from northern Afghanistan through Uzbekistan. Along with Kazakhstan and Kyrgyzstan, it invited Tajikistan to join the Central Asian (Economic) Union in March, and in May it assigned an ambassador to Tajikistan. It also allowed international humanitarian organizations to stage their assistance efforts in Tajikistan from cities in Uzbekistan. While the government publicly denounced the invasion of northern Tajikistan in November 1998 by a renegade Tajikistani colonel and his ethnic Uzbek forces, and re-affirmed its commitment to the Tajik peace accords, the rebel forces were allowed access to Uzbekistani territory for sanctuary, transit, and as a base of operations for extended periods in 1997 and 1998.

Section 498A(a)(6): "implement responsible security policies, including--

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

The Government of Uzbekistan supports international efforts to eliminate nuclear, chemical and biological weapons and has consistently reiterated its acceptance of relevant arms control obligations of the former Soviet Union. Uzbekistan became a party to the Treaty on the Non-Proliferation of Nuclear Weapons as a non-nuclear-weapons state on May 2, 1992. Following up on a conference on a Central Asian Nuclear Weapons Free Zone in September 1997, which it hosted, it participated in a second conference which produced a draft treaty, circulated for comment to the declared nuclear states, in July 1998.

We do not believe that the Government of Uzbekistan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. Uzbekistan has signed and ratified the Comprehensive Test Ban Treaty (CTBT); the Convention on the Prohibition on the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (CWC); and the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (BWC). It has filed a declaration with the Organization for Prevention of Chemical Weapons. To our knowledge, the Government of Uzbekistan has not engaged in any significant level of conventional arms transfers. It has taken steps to develop its own export control system, and it has positively engaged with U.S. cooperative programs to counter proliferation and develop export controls.

The Government of Uzbekistan has armed forces of some 90,000 troops. This level is consistent with legitimate defense requirements. The government does not allow forces from any third party, such as the CIS, to guard its borders.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

In line with the Nukus Declaration of September 1995, Uzbekistan and its neighbors continue to cooperate on problems of the Aral Sea watershed, most notably with a March 1998 multi-year agreement on water and power-sharing. This

agreement, and the Interstate Council by which it was negotiated, was expanded in March 1998 to include Tajikistan. The Government of Uzbekistan has also hosted four annual OSCE environmental seminars, most recently in September 1998.

Uzbekistan has suffered severe environmental problems, including lingering agrochemical pollution, as a result of the cotton monoculture imposed during the Soviet era. The government has supported a shift of some lands from cotton to grain production that could mitigate the problem. Serious public health issues continue to present a challenge to Uzbekistan and its neighbors. The government, bilaterally and through regional organizations, seeks international assistance to deal with these issues. The Uzbekistani Government's Fund for Ecology and Health of Uzbekistan has worked to increase the public consciousness and understanding of the environmental problems. Several government committees deal with specific environmental and ecological issues.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Uzbekistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of or otherwise support international terrorism. Uzbekistan is a party to seven of the eleven international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other republics signed an agreement which assigned to each of the newly independent states a share of all the external assets and foreign debt of the former Soviet Union. Uzbekistan did not sign either the October or the December 1991 agreements. The December 1991 agreement provided that Uzbekistan's share of the debt would be 3.27 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In July 1992, Uzbekistan signed a "zero option" agreement with Russia under which Russia will pay Uzbekistan's share of the debt, as defined by the December 1991 agreement, in return for Uzbekistan's share of the assets.

Please see section 498A(a)(9) of the Russia FSA report regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The Government of Uzbekistan has been cooperative with all related interviews conducted in Uzbekistan and in February 1996 hosted a successful visit by the Commission.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

In 1995, 1996 and 1997, Uzbekistan was one of only two countries (Israel was the other) to support the U.S. position on the Cuban embargo by voting against a United Nations General Assembly resolution initiated by the Cuban Government. In all three years, Uzbekistan also co-sponsored and voted with the United States in favor of a General Assembly resolution condemning human rights abuses in Cuba. In 1998, Uzbekistan abstained on the Cuban embargo resolution; there was no resolution condemning human rights abuses in Cuba. Uzbekistan also abstained on the resolution on coercive measures as a means of political and economic compulsion (generally interpreted as opposing the Cuban embargo), which it had previously supported. The Government of Uzbekistan is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

UZBEKISTAN

Section 498A(b)(1): Has the President determined that the Government of Uzbekistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. However, the U.S. Government is concerned by the Uzbekistani Government's May 1998 religion law, which if fully and strictly implemented could have the effect of substantially limiting the free practice of religion. Media censorship and suppression of viewpoints and activity perceived as threatening or opposing the government remain a problem. The U.S. Government will continue to monitor the Uzbekistani Government's human rights performance, including the status of prisoners which leading international human rights groups have declared to be political prisoners or prisoners of conscience.

Section 498A(b)(2): Has the President determined that the Government of Uzbekistan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not think that the Government of Uzbekistan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Uzbekistan "knowingly transferred to another country --

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Uzbekistan in 1998.

Section 498A(b)(4): Is the Government of Uzbekistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. The Government of Uzbekistan is not prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Uzbekistan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Uzbekistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

The U.S. Government is unaware of any such non-market-based trade between the Governments of Uzbekistan and Cuba.

V. EVALUATION OF THE USE OF “NOTWITHSTANDING” AUTHORITY

In FY 1998, the U.S. Agency for International Development (USAID) and the Department of State continued to use “notwithstanding” authority to respond to unanticipated needs and to provide assistance to the NIS. While USAID and the Department of State have been careful to limit their use of “notwithstanding” authority, this authority has given them the flexibility to carry out their respective missions in the unique environment of the NIS.

Below are evaluations of the three specific uses of the “notwithstanding” authority during FY 1998:

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
USAID	Throughout FY 1998	Personal Services Contracts	Various

Rationale: “Notwithstanding” authority was exercised throughout the year to waive legislation prohibiting federal agencies from employing individuals under personal services contracts (PSCs) to work in Washington. Since USAID-Washington has substantial management responsibilities for NIS programs, it has been necessary for the Bureau for Europe and the NIS to employ Washington-based PSCs, especially technical specialists, to ensure adequate program management.

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
U.S. Department of State	3/1/98-12/31/98	Cooperative Grant	\$275,000

Rationale: The Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C) exercised “notwithstanding authority” to award a noncompetitive grant to initiate a new program in response to language in the House Appropriations Committee Report accompanying the FY 1998 Foreign Operations Appropriations Act requesting that S/NIS/C reinstate a program similar to Operation Support Freedom that would allow small and medium-sized U.S. private voluntary organizations (PVOs) to ship a minimum of one container at the expense of the U.S. Government. S/NIS/C invoked “notwithstanding” authority in order to avoid a lengthy competitive process and was able to make the new program available for use by PVOs on March 1, 1998.

<u>AGENCY</u>	<u>DATE</u>	<u>ACTIVITY</u>	<u>AMOUNT</u>
USAID and the U.S. Department of State	Throughout FY 1998	Humanitarian Assistance	approx. \$31.2 million

Rationale: The FY 1998 Foreign Operations Appropriations Act stated that funds “shall be made available for humanitarian assistance for humanitarian refugees, displaced persons, and needy civilians affected by the conflicts in the Southern Caucasus region, including those in the vicinity of Abkhazia and Nagorno-Karabakh, notwithstanding any other provision of this or any other Act.” USAID and the Office of the Coordinator of U.S. Assistance to the NIS relied on this provision to provide humanitarian assistance to the victims of the Nagorno-Karabakh conflict, including the awarding of grants and subgrants that included provisions for working through Azerbaijani Government health-care facilities and providers.

CUMULATIVE FUNDS BUDGETED (FY 1992 TO DATE) FOR MAJOR NIS ASSISTANCE PROGRAMS BY COUNTRY AS OF 9/30/98
(millions of dollars, rounded to the nearest \$10,000)

FREEDOM SUPPORT ACT (FSA) FUNDS	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
USAID/ENI - BUREAU FOR EUROPE AND THE NIS														
- NIS Special Initiatives (Humanitarian, etc.)	591.36	69.82	55.64	222.08	70.99	87.58	7.45	4.74	29.45	1.71	3.60	1.87	8.50	27.91
- Energy Efficiency and Market Reform ¹	452.20	43.29	85.30	73.79	0.08	21.21	10.62	6.21		0.08	0.09	2.02	4.44	205.07
- Environmental Policy and Technology ¹	145.90	15.84	63.01	0.53		0.61	13.58	0.96	0.40	6.50	8.86	0.23	2.90	32.49
- Health-Care Improvement ¹	245.42	24.61	88.91	7.09	0.24	5.43	35.76	11.49	2.81	3.23	8.13	2.66	5.78	49.27
- Private-Sector Initiatives ¹	990.45	17.71	549.63	21.86	1.48	20.64	80.04	44.45	0.23	0.10	6.31	7.08	62.18	178.74
- Food-Systems Restructuring	106.24	2.13	46.05	0.25	0.45	4.77	1.53	0.09					5.23	45.74
- Democratic Reform ¹	341.37	21.54	138.42	18.11	3.43	10.48	27.64	13.00	3.89	1.89	6.37	5.13	5.30	86.18
- Housing-Sector Reform	242.64	2.39	202.77	9.44		7.01	1.70							19.33
- Economic Restructuring and Financial Reform	332.05	20.38	78.12	23.53	0.14	7.85	42.01	25.92	2.59	3.20	16.49	0.12	16.54	95.17
- Eurasia Foundation	107.90	44.75	25.54	9.98	0.10	3.19	1.01	1.10	0.32	0.22	1.78	1.04	0.46	18.40
- Enterprise Funds	483.20	45.00	267.00	5.10	4.95	4.95	17.45	10.63	1.81	10.20	21.21		9.49	85.41
- Exchanges and Training ¹	178.61	5.05	87.44	9.15	2.64	6.09	10.34	7.83	5.78	5.91	7.06	2.16	1.90	27.27
- Russia Energy & Environmtl. Commodity Import Program (CIP)	59.50		59.50											
- Administrative Expenses	25.30	25.30												
TOTAL USAID/ENI¹	4302.13	337.81	1747.33	400.91	84.50	172.80	254.45	128.12	47.29	33.04	79.89	22.29	122.74	870.97
¹ As of the 3/31/96 report, these numbers no longer include transfers to other agencies which are now implementing their own programs using FSA funds; these transfers are now included in each agency's line-item below.														
OTHER USAID PROGRAMS														
- Humanitarian Assistance - Armenia (155-0001)	10.78			10.78										
- Presidential Medical Initiative (156-0001)	5.00			5.00										
- USAID Farmer-to-Farmer Program & OFDA	39.96	8.32	16.79	1.29		0.32	3.55	1.29	0.32	0.65	0.66	1.29	0.97	4.52
- Ukraine Credit Facility	10.60													10.60
- Transfers to Other USAID Bureaus ²	63.98	55.10	1.60	2.83	0.03	0.40	1.27	0.39	0.13	0.73	1.07		0.02	0.42
- Parking Fines	0.09	0.09												
TOTAL OTHER USAID PROGRAMS	130.41	63.52	18.39	19.90	0.03	0.73	4.82	1.68	0.45	1.37	1.73	1.29	0.98	15.54
TOTAL USAID³	4432.55	401.33	1765.72	420.81	84.53	173.53	259.27	129.80	47.74	34.41	81.62	23.59	123.72	886.51
² Includes disaster assistance, Women in Development, USAID-Israel Cooperative Development/Research, science and technology, agricultural, environmental, family planning and child survival programs.														
³ Includes \$235m in FY 1992 Economic Support Funds, \$11.36m in FY 1992-95 Development Assistance and \$29.61m in FY 1992-94 International Disaster Assistance. A total of \$95,000 was withheld for parking fines in FY 1998.														
TRANSFERS TO OTHER AGENCIES	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. DEPARTMENT OF COMMERCE														
- Business Information Service for the NIS (BISNIS)	10.63		5.32	0.23	0.16	0.23	1.17	0.30	0.12	0.19	0.41	0.32	0.23	1.95
- Business Information Service - Russia (BISTA)	1.00		1.00											
- American Business Centers (ABCs)	13.50	1.43	10.19				0.61				0.47	0.26		0.54
- SABIT Business Internship Training Program	21.46	0.96	11.97	0.34	0.21	0.58	1.10	0.48	0.31	0.24	0.61	0.49	0.39	3.78
- Commercial Law Development Program (CLDP)	4.42	0.25	1.94										0.32	1.90
- Business Development Committees (BDCs)	1.93	0.50	1.19				0.10					0.01		0.12
- Consortia of American Businesses in the NIS (CABNIS)	4.50		4.50											
TOTAL DEPARTMENT OF COMMERCE	57.44	3.14	36.11	0.57	0.37	0.81	2.98	0.78	0.43	0.43	1.49	1.08	0.94	8.29
USIA FREEDOM SUPPORT ACT EXCHANGES	354.83	6.60	194.21	15.40	7.58	9.50	14.01	9.09	4.16	4.32	8.14	11.82	9.04	60.95
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	220.33		88.60	11.63										120.10
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	35.00		30.67				0.67					0.37		3.29
- Chernobyl Initiative	73.00													73.00
TOTAL DEPARTMENT OF ENERGY	328.33		119.27	11.63			0.67					0.37		196.39
U.S. DEPT. OF STATE - S/NIS/C - HUMANITARIAN ASSISTANCE														
- Transportation Costs and Grants	257.29		57.76	54.89	11.61	46.95	15.04	8.85	4.92	2.81	6.37	8.05	12.10	27.94
- Cargo Value (DoD excess and privately donated) ⁴	1974.56		582.24	177.66	57.52	269.59	142.31	84.11	29.44	26.73	57.90	128.05	78.99	340.02
TOTAL S/NIS/C HUMANITARIAN ASSISTANCE	2231.85		640.00	232.55	69.13	316.54	157.35	92.96	34.36	29.54	64.27	136.10	91.09	367.96
⁴ The value of these U.S. Department of Defense excess and privately donated commodities is not included in the TOTAL CUMULATIVE FUNDS BUDGETED lines below.														
U.S. DEPARTMENT OF STATE														
- INL / Anti-Crime Training & Tech. Assist.	54.26	6.40	23.13	0.76	0.18	2.15	3.44	1.74	0.32	0.90	1.62	1.10	2.18	10.34
- INR / Title VIII Research Program	21.19	10.85	7.52	0.14	0.17	0.24	0.34	0.19	0.23	0.21	0.26	0.11	0.10	0.83
- Science Centers	49.91		28.50	3.35		1.52	5.00	0.25			0.24			11.05
TOTAL DEPARTMENT OF STATE	125.35	17.25	59.15	4.25	0.36	3.91	8.78	2.18	0.55	1.11	2.12	1.21	2.28	22.22
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	3.60		3.10											0.50
OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)	72.00	72.00												
U.S. TRADE & DEVELOPMENT AGENCY (TDA)	66.85	1.32	42.68	1.17		1.95	4.61	0.15		3.12	3.48	1.42	0.11	6.85
PEACE CORPS	51.36		13.50	4.31			6.82	4.39		4.35	4.60		4.23	9.17
ENVIRONMENTAL PROTECTION AGENCY	22.62	0.38	17.57			0.13							0.13	4.42
NSF / CIVILIAN RESEARCH & DEVELOPMENT	2.55	0.90		0.70		0.05	0.30	0.25			0.05			0.30

	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. CUSTOMS SERVICE / GEORGIA BORDER SECURITY	16.64					16.64								
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	29.97		13.65	1.32			0.95							14.05
U.S. DEPT. OF AGRICULTURE (USDA)														
- Cochran Fellowship Program	9.85	0.16	2.68	0.55	0.38	0.44	0.82	0.72	0.51	0.50	0.79	0.26	0.64	1.41
- Faculty Exchange Program	2.00		0.80				0.19							1.01
- Collaborative Biotech Research Program	0.55		0.55											
TOTAL USDA EXCHANGE PROGRAMS	12.40	0.16	4.03	0.55	0.38	0.44	1.01	0.72	0.51	0.50	0.79	0.26	0.64	2.42
U.S. DEPARTMENT OF THE TREASURY														
- G-7 Support Implementation Group	3.37		3.37											
- Technical Advisors	45.05	11.93	10.30	3.44		2.38	2.47	2.04	0.11		0.83	1.20	2.71	7.63
TOTAL U.S. DEPT. OF THE TREASURY	48.42	11.93	13.67	3.44		2.38	2.47	2.04	0.11		0.83	1.20	2.71	7.63
CONGRESSIONAL RESEARCH SERVICE (CRS)	4.90		2.00											2.90
TOTAL TRANSFERS TO OTHER AGENCIES	1437.90	113.68	576.69	98.23	20.30	66.11	57.64	28.45	10.69	16.64	27.86	25.40	32.18	364.04
	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
TOTAL CUMULATIVE FSA FUNDS BUDGETED AS OF 9/30/98	5870.45	515.01	2342.42	519.03	104.82	239.64	316.90	158.24	58.43	51.05	109.48	48.99	155.89	1250.55
	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
NON-FREEDOM SUPPORT ACT FUNDS														
U.S. DEPARTMENT OF DEFENSE (DoD)														
COOPERATIVE THREAT REDUCTION (CTR) PROGRAMS (Nunn-Lugar)														
- Weapons Dismantlement	1056.57		517.40				104.30				6.00	36.85		392.02
- Chain of Custody	622.60		509.09			7.30	35.26					20.74		50.21
- Demilitarization	375.62	84.74	107.92				33.28					26.50	45.00	78.18
- Other	217.18	187.18	30.00											
TOTAL CTR	2271.97	271.92	1164.41			7.30	172.84				6.00	84.09	45.00	520.41
- DoD Warsaw Initiative	42.31	42.31												
- DoD/ Military Technical Cooperative Efforts	98.60	98.60												
- DoD Customs Border Security / Counterproliferation	9.00	9.00												
- DoD/FBI Counterproliferation	1.29					0.20	0.40	0.27			0.40		0.02	
TOTAL DEPARTMENT OF DEFENSE	2423.17	421.83	1164.41			7.50	173.24	0.27			6.40	84.09	45.02	520.41
U.S. DEPARTMENT OF AGRICULTURE														
- Food Assistance	3003.07		1256.98	352.69	49.50	334.84	40.74	211.67	156.15	100.20	4.60	218.20	117.17	160.33
- Cochran Fellowship Program	6.33	0.08	2.50	0.10		0.20	0.85	0.20	0.20	0.20	0.16	0.20	0.10	1.54
- Agricultural Extension Programs	2.99			2.99										
- Agricultural Research Services	0.34						0.27	0.07						
TOTAL DEPARTMENT OF AGRICULTURE	3012.72	0.08	1259.48	355.78	49.50	335.04	41.86	211.94	156.35	100.40	4.76	218.40	117.27	161.87
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	106.19		72.44	0.37										33.38
- Materials Protection, Control and Accounting (MPC&A)	344.61		326.30			0.21	14.59				1.67	0.65		1.19
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	79.20		67.77				3.21					1.87		6.35
- Export Control Programs (Nuclear)	6.34	0.83	2.44				1.56							1.51
- Uranium Supply Enrichment	1.00		1.00								0.01	0.20		0.50
- Arms Control Support	4.54		3.80				0.03							
- Research & Development - FSU States	13.80		13.80											
- Fissile Materials Disposition	25.60		25.60											
- RERTR / Reduced Enrichment for Research & Test Reactors	1.00		1.00											
TOTAL DEPARTMENT OF ENERGY	582.28	0.83	514.15	0.37		0.21	19.39				1.68	2.72		42.93
NSF / CIVILIAN R & D FOUNDATION	19.71	18.81	0.90											
NSF / COOPERATIVE RESEARCH PROJECTS	10.80	10.80												
U.S. DEPARTMENT OF COMMERCE - CABNIS	1.50		1.00				0.50							
U.S. EXPORT-IMPORT BANK	300.00	300.00												
U.S. TRADE AND DEVELOPMENT AGENCY (TDA)	11.19	0.63	7.47	0.04		0.10	0.51	0.04	0.02	0.10	1.15	0.01	0.09	1.03
U.S. INFORMATION AGENCY (USIA)	222.70	8.55	114.94	7.78	5.55	8.87	12.57	5.51	1.91	2.10	11.95	8.42	5.00	29.56
U.S. DEPARTMENT OF STATE														
- International Military Exchanges and Training (IMET)	16.92		3.84			1.18	1.71	0.93		0.98	1.13	0.90	1.16	5.08
- NADR / Counterproliferation	1.89		1.40	0.06		0.01	0.10	0.09	0.02	0.06	0.02		0.04	0.12
- Nonproliferation/Disarmament Fund	10.00	5.03	0.71	0.71			0.71	0.71			0.71		0.71	
- Warsaw Initiative	33.25		4.50			6.05	3.75	2.15		0.95	2.55		4.25	9.05
TOTAL DEPARTMENT OF STATE	62.07	5.03	10.45	0.77	0.71	7.24	6.27	3.88	0.02	1.98	4.41	0.90	6.16	14.25
PEACE CORPS	41.86		11.35	4.01			4.97	3.23		2.92	4.22		3.37	7.79
	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
TOTAL CUMULATIVE NON-FSA FUNDS BUDGETED AS OF 9/30/97	6688.00	766.56	3084.16	368.75	55.76	358.96	259.31	224.87	158.29	107.50	34.57	314.55	176.91	777.83
	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
TOTAL CUMULATIVE USG (FSA+NON-FSA) FUNDS BUDGETED AS OF 9/30/98	12558.46	1281.57	5426.57	887.78	160.58	598.60	576.21	383.11	216.72	158.55	144.05	363.53	332.80	2028.38

CUMULATIVE OBLIGATIONS (FY 1992 TO DATE) FOR MAJOR NIS ASSISTANCE PROGRAMS BY COUNTRY AS OF 9/30/98
(millions of dollars, rounded to the nearest \$10,000)

FREEDOM SUPPORT ACT (FSA) FUNDS	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
USAID/ENI - BUREAU FOR EUROPE AND THE NIS														
- NIS Special Initiatives (Humanitarian, etc.) ¹	554.91	61.56	55.43	219.39	65.46	78.26	7.43	4.50	26.80	1.71	3.60	1.87	2.50	26.39
- Energy Efficiency and Market Reform ¹	437.69	43.04	85.25	71.12	0.08	16.53	10.62	6.21		0.08	0.09	2.02	3.97	198.69
- Environmental Policy and Technology ¹	140.21	15.65	60.46	0.53		0.61	13.58	0.96	0.40	6.50	8.86	0.23	2.90	29.54
- Health-Care Improvement ¹	235.42	24.61	87.92	6.84	0.24	3.56	35.28	11.39	2.71	3.23	7.71	2.66	5.78	43.49
- Private-Sector Initiatives ¹	971.72	17.71	544.52	18.38		18.42	80.04	44.45	0.23	0.10	6.31	7.08	62.00	172.48
- Food-Systems Restructuring	98.80	2.13	46.05	0.25	0.45	4.55	1.53	0.09					5.23	38.52
- Democratic Reform ¹	323.31	21.24	133.46	16.36	2.35	9.25	25.02	12.80	3.62	1.89	5.71	4.43	4.42	82.76
- Housing-Sector Reform	242.64	2.39	202.77	9.44			7.01	1.70						19.33
- Economic Restructuring and Financial Reform	312.86	20.38	77.62	22.06		7.03	39.98	25.62	1.23	2.60	16.11	0.12	16.37	83.75
- Eurasia Foundation	100.15	44.25	21.39	8.98	0.10	3.19	1.01	1.10	0.32	0.22	1.28	1.04	0.46	16.80
- Enterprise Funds	482.20	45.00	286.00	5.10	4.95	4.95	17.45	10.63	1.81	10.20	21.21		9.49	85.41
- Exchanges and Training ¹	176.03	4.65	87.39	8.38	2.64	5.89	10.34	7.14	5.78	5.91	6.59	2.16	1.90	27.27
- Russia Energy & Environmental Commodity Import Program (CIP)	59.50		59.50											
- Administrative Expenses	25.30	25.30												
TOTAL USAID/ENI¹	4160.73	327.90	1727.76	386.84	76.28	152.24	249.29	126.59	42.90	32.44	77.47	21.59	115.03	824.42
¹ As of the 3/31/96 report, these numbers no longer include transfers to other agencies which are now implementing their own programs using FSA funds; these transfers are now included in each agency's line-item below.														
OTHER USAID PROGRAMS														
- Humanitarian Assistance - Armenia (155-0001)	10.78			10.78										
- Presidential Medical Initiative (156-0001)	5.00			5.00										
- USAID Farmer-to-Farmer Program & OFDA	39.96	8.32	16.79	1.29		0.32	3.55	1.29	0.32	0.65	0.66	1.29	0.97	4.52
- Ukraine Credit Facility	10.60													10.60
- Transfers to Other USAID Bureaus ²	61.68	53.59	1.00	2.83	0.03	0.40	1.26	0.39	0.13	0.73	0.89		0.02	0.42
- Parking fines														
TOTAL OTHER USAID PROGRAMS	128.01	61.91	17.79	19.90	0.03	0.73	4.81	1.68	0.45	1.37	1.55	1.29	0.98	15.54
TOTAL USAID³	4288.74	389.80	1745.55	406.73	76.30	152.96	254.10	128.27	43.35	33.81	79.02	22.88	116.01	839.96
² Includes disaster assistance, Women in Development, USAID-Israel Cooperative Development/Research, science and technology, agricultural, environmental, family planning and child survival programs.														
³ Includes \$235m in FY 1992 Economic Support Funds, \$11.36m in FY 1992-95 Development Assistance and \$29.61m in FY 1992-94 International Disaster Assistance. A total of \$95,000 was withheld for parking fines in FY 1998.														
TRANSFERS TO OTHER AGENCIES	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. DEPARTMENT OF COMMERCE														
- Business Information Service for the NIS (BISNIS)	8.30		4.16	0.18	0.14	0.18	0.91	0.23	0.10	0.15	0.31	0.21	0.18	1.54
- Business Information Service - Russia (BISTA)	0.97		0.97											
- American Business Centers (ABCs)	13.46	1.43	10.15				0.61				0.47	0.26		0.54
- SABIT Business Internship Training Program	18.96	0.01	11.28	0.32	0.20	0.54	1.06	0.45	0.29	0.23	0.59	0.48	0.37	3.14
- Commercial Law Development Program (CLDP)	4.29	0.25	1.77										0.32	1.85
- Business Development Committees (BDCs)	1.08	0.31	0.68				0.04					0.01		0.03
- Consortia of American Businesses in the NIS (CABNIS)	4.50		4.50											
TOTAL DEPARTMENT OF COMMERCE	51.56	2.00	33.52	0.50	0.34	0.72	2.62	0.68	0.40	0.38	1.37	0.96	0.87	7.20
USIA FREEDOM SUPPORT ACT EXCHANGES	364.83	6.60	194.21	15.40	7.58	9.50	14.01	9.09	4.16	4.32	8.14	11.82	9.04	60.95
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	219.83		88.60	11.63										119.60
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	35.00		30.67				0.67					0.37		3.29
- Chernobyl Initiative	73.00													73.00
TOTAL DEPARTMENT OF ENERGY	327.83		119.27	11.63			0.67					0.37		195.89
U.S. DEPT. OF STATE - S/NIS/C - HUMANITARIAN ASSISTANCE														
- Transportation Costs and Grants	257.29		57.76	54.89	11.61	46.95	15.04	8.85	4.92	2.81	6.37	8.05	12.10	27.94
- Cargo Value (DoD excess and privately donated) ⁴	1974.56		582.24	177.66	57.52	269.59	142.31	84.11	29.44	26.73	57.90	128.05	78.99	340.02
TOTAL S/NIS/C HUMANITARIAN ASSISTANCE	2231.85		640.00	232.55	69.13	316.54	157.35	92.96	34.36	29.54	64.27	136.10	91.09	367.96
⁴ The value of these U.S. Department of Defense excess and privately donated commodities is not included in the TOTAL CUMULATIVE OBLIGATIONS lines below.														
U.S. DEPARTMENT OF STATE														
- INL / Anti-Crime Training & Tech. Assist.	54.26	6.40	23.13	0.76	0.18	2.15	3.44	1.74	0.32	0.90	1.62	1.10	2.18	10.34
- INR / Title VIII Research Program	21.19	10.85	7.52	0.14	0.17	0.24	0.34	0.19	0.18	0.20	0.32	0.11	0.10	0.83
- Science Centers	49.91		28.50	3.35		1.52	5.00	0.25			0.24			11.05
TOTAL DEPARTMENT OF STATE	125.36	17.25	59.15	4.25	0.36	3.91	8.78	2.18	0.50	1.10	2.18	1.21	2.28	22.22
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	2.80	0.15	1.31	0.36		0.05								
OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)	66.00	66.00												
U.S. TRADE & DEVELOPMENT AGENCY (TDA)	66.85	1.31	42.68	1.17		1.95	4.81	0.15		3.12	3.48	1.42	0.11	6.85
PEACE CORPS	61.35		13.49	4.31			6.82	4.39		4.35	4.60		4.23	9.17
ENVIRONMENTAL PROTECTION AGENCY	19.66	0.38	15.47			0.21							0.21	3.39
NSF / CIVILIAN RESEARCH & DEVELOPMENT	2.42	0.90		0.62		0.05	0.25	0.25			0.05			0.30

	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. CUSTOMS SERVICE / GEORGIA BORDER SECURITY	16.64					16.64								
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	24.12		11.85	0.92			0.54							10.81
U.S. DEPT. OF AGRICULTURE (USDA)														
- Cochran Fellowship Program	9.03	0.16	2.39	0.51	0.34	0.40	0.81	0.67	0.49	0.44	0.78	0.24	0.63	1.17
- Faculty Exchange Program	1.71		0.69				0.12							0.90
- Collaborative Biotech Research Program	1.78		0.99				0.07							0.72
TOTAL USDA EXCHANGE PROGRAMS	12.52	0.16	4.07	0.51	0.34	0.40	1.00	0.67	0.49	0.44	0.78	0.24	0.63	2.79
U.S. DEPARTMENT OF THE TREASURY														
- G-7 Support Implementation Group	2.71		2.71											
- Technical Advisors	37.49	11.27	7.56	2.51		1.56	2.26	1.78	0.11		0.55	1.20	2.47	6.23
TOTAL U.S. DEPT. OF THE TREASURY	40.20	11.27	10.27	2.51		1.56	2.26	1.78	0.11		0.55	1.20	2.47	6.23
CONGRESSIONAL RESEARCH SERVICE (CRS)	4.69		1.92											2.77
TOTAL TRANSFERS TO OTHER AGENCIES	1407.45	106.02	564.96	97.07	20.23	65.30	56.58	28.04	10.58	16.52	27.55	25.27	32.07	357.26

TOTAL CUMULATIVE FSA OBLIGATIONS AS OF 9/30/98	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
	5696.19	495.83	2310.51	503.80	96.53	218.26	310.68	156.31	53.93	50.32	106.57	48.15	148.08	1197.22

NON-FREEDOM SUPPORT ACT FUNDS	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. DEPARTMENT OF DEFENSE (DoD)														
COOPERATIVE THREAT REDUCTION (CTR) PROGRAMS (Nunn-Lugar)														
- Weapons Dismantlement	907.13		461.32				87.35					28.93		329.53
- Chain of Custody	540.15		429.67			5.92	34.65					20.11		49.80
- Demilitarization	339.18	62.45	104.43				32.32					25.75	40.00	74.23
- Other	79.07	49.12	29.95											
TOTAL CTR	1865.53	111.57	1025.37			5.92	154.32					74.79	40.00	453.56
- DoD Warsaw Initiative	38.12	38.12												
- DoD/ Military Technical Cooperative Efforts	98.60	98.60												
- DoD Customs Border Security / Counterproliferation	9.00	9.00												
- DoD/FBI Counterproliferation	1.29					0.20	0.40	0.27			0.40		0.02	
TOTAL DEPARTMENT OF DEFENSE	2012.54	257.29	1025.37			6.12	154.72	0.27			0.40	74.79	40.02	453.56
U.S. DEPARTMENT OF AGRICULTURE														
- Food Assistance	3003.07		1256.98	352.69	49.50	334.84	40.74	211.67	156.15	100.20	4.60	218.20	117.17	160.33
- Cochran Fellowship Program	5.49	0.08	2.44	0.10		0.20	0.72		0.20	0.20	0.14	0.20	0.10	1.11
- Agricultural Extension Programs	2.99			2.99										
- Agricultural Research Services	0.34						0.27	0.07						
TOTAL DEPARTMENT OF AGRICULTURE	3011.88	0.08	1259.42	355.78	49.50	335.04	41.73	211.74	156.35	100.40	4.74	218.40	117.27	161.44
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	106.09		72.34	0.37										33.38
- Materials Protection, Control and Accounting (MPC&A)	312.64		295.84			0.21	13.38				1.50	0.65		1.06
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	79.20		67.77				3.21					1.87		6.35
- Export Control Programs (Nuclear)	6.34	0.83	2.44				1.56							1.51
- Uranium Supply Enrichment	1.00		1.00											
- Arms Control Support	4.54		3.80				0.03				0.01	0.20		0.50
- Research & Development - FSU States	13.80		13.80											
- Fissile Materials Disposition	25.60		25.60											
- RERTR / Reduced Enrichment for Research & Test Reactors	1.00		1.00											
TOTAL DEPARTMENT OF ENERGY	550.21	0.83	483.59	0.37		0.21	18.18				1.51	2.72		42.80
NSF / CIVILIAN R & D FOUNDATION	13.49	12.59	0.90											
NSF / COOPERATIVE RESEARCH PROJECTS	10.80	10.80												
U.S. DEPARTMENT OF COMMERCE - CABNIS	1.50		1.00				0.50							
U.S. EXPORT-IMPORT BANK	300.00	300.00												
U.S. TRADE AND DEVELOPMENT AGENCY (TDA)	11.19	0.63	7.47	0.04		0.10	0.51	0.04	0.02	0.10	1.15	0.01	0.09	1.03
U.S. INFORMATION AGENCY (USIA)	222.70	8.55	114.94	7.78	5.55	8.87	12.57	5.51	1.91	2.10	11.95	8.42	5.00	29.56
U.S. DEPARTMENT OF STATE														
- International Military Exchanges and Training (IMET)	16.92		3.84			1.18	1.71	0.93		0.98	1.13	0.90	1.16	5.08
- NADR / Counterproliferation	1.89		1.40	0.06		0.01	0.10	0.09	0.02	0.06	0.02		0.04	0.12
- Nonproliferation/Disarmament Fund	9.76	4.80	0.71	0.71	0.71		0.71	0.71			0.71		0.71	
- Warsaw Initiative	33.25		4.50			6.05	3.75	2.15		0.95	2.55		4.25	9.05
TOTAL DEPARTMENT OF STATE	61.82	4.80	10.45	0.76	0.71	7.24	6.27	3.88	0.02	1.98	4.41	0.90	6.16	14.25
PEACE CORPS	41.79		11.34	4.01			4.97	3.21		2.91	4.21		3.36	7.79

TOTAL CUMULATIVE NON-FSA OBLIGATIONS AS OF 9/30/98	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
	6237.93	595.67	2914.48	368.74	65.76	357.58	239.44	224.65	158.29	107.49	28.37	305.25	171.89	710.43

TOTAL CUMULATIVE USG (FSA+NON-FSA) OBLIGATIONS AS OF 9/30/98	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
	11934.12	1091.39	5224.99	872.54	152.29	575.84	550.13	380.96	212.23	157.81	134.93	353.39	319.97	1907.64

CUMULATIVE EXPENDITURES (FY 1992 TO DATE) FOR MAJOR NIS ASSISTANCE PROGRAMS BY COUNTRY AS OF 9/30/98

(millions of dollars, rounded to the nearest \$10,000)

FREEDOM SUPPORT ACT (FSA) FUNDS	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
USAID/ENI - BUREAU FOR EUROPE AND THE NIS														
- NIS Special Initiatives (Humanitarian, etc.) ¹	483.34	32.19	45.70	203.12	55.59	76.65	7.24	3.50	24.95	1.71	3.50	1.87	2.50	24.83
- Energy Efficiency and Market Reform ¹	354.80	32.15	70.20	49.11	0.08	15.39	10.38	6.06		0.08	0.09	2.02	2.76	166.48
- Environmental Policy and Technology ¹	119.79	12.62	49.48	0.53		0.61	13.23	0.96	0.40	6.50	8.66	0.23	2.90	23.68
- Health-Care Improvement ¹	191.49	20.27	71.85	4.43	0.24	3.44	31.62	10.17	2.16	2.11	5.87	2.66	5.78	30.90
- Private-Sector Initiatives ¹	884.58	15.50	513.95	12.14		15.08	79.55	44.34	0.23	0.10	6.31	5.97	49.48	141.94
- Food-Systems Restructuring	86.73	1.45	44.26	0.00	0.34	3.75	1.53	0.09					5.23	30.09
- Democratic Reform ¹	260.98	17.63	111.61	10.69	2.00	6.83	20.50	9.66	2.25	1.23	3.86	4.16	3.34	67.20
- Housing-Sector Reform	235.01	2.12	196.31	8.62			7.01	1.70						19.24
- Economic Restructuring and Financial Reform	248.04	18.67	67.65	18.58		5.91	27.73	20.58	0.76	1.18	12.58	0.09	11.71	62.59
- Eurasia Foundation	94.39	44.25	21.39	8.87	0.10	2.51	1.01	1.10	0.32	0.22	1.28	1.04	0.46	11.83
- Enterprise Funds	369.94	40.00	232.92	1.12	1.09	1.09	9.81	7.80	1.53	3.69	10.16		6.07	54.67
- Exchanges and Training ¹	171.40	4.16	84.94	7.51	2.25	5.89	10.20	7.14	5.77	5.91	6.59	2.16	1.90	26.99
- Russia Energy & Environmental Commodity Import Program (CIP)	58.25		58.25											
- Administrative Expenses	25.30	25.30												
TOTAL USAID/ENI¹	3584.03	266.31	1568.51	324.72	61.68	137.15	219.80	113.10	38.37	22.73	58.90	20.19	92.15	660.43
¹ As of the 3/31/96 report, these numbers no longer include transfers to other agencies which are now implementing their own programs using FSA funds; these transfers are now included in each agency's line-item below.														
OTHER USAID PROGRAMS														
- Humanitarian Assistance - Armenia (155-0001)	10.78			10.78										
- Presidential Medical Initiative (156-0001)	5.00			5.00										
- USAID Farmer-to-Farmer Program & OFDA	39.95	8.32	16.79	1.29		0.32	3.55	1.29	0.32	0.65	0.65	1.29	0.97	4.52
- Ukraine Credit Facility														
- Transfers to Other USAID Bureaus ²	32.14	24.98	0.84	2.14		0.35	1.26	0.39	0.13	0.73	0.89		0.02	0.42
- Parking Fines														
TOTAL OTHER USAID PROGRAMS	87.87	33.30	17.63	19.21		0.67	4.81	1.68	0.45	1.37	1.54	1.29	0.98	4.94
TOTAL USAID³	3671.90	299.61	1586.14	343.92	61.68	137.82	224.61	114.78	38.82	24.10	60.44	21.49	93.13	665.37
² Includes disaster assistance, Women in Development, USAID-Israel Cooperative Development/Research, science and technology, agricultural, environmental, family planning and child survival programs.														
³ Includes \$235m in FY 1992 Economic Support Funds, \$11.36m in FY 1992-95 Development Assistance and \$29.61m in FY 1992-94 International Disaster Assistance. A total of \$95,000 was withheld for parking fines in FY 1998.														
TRANSFERS TO OTHER AGENCIES														
U.S. DEPARTMENT OF COMMERCE														
- Business Information Service for the NIS (BISNIS)	8.29		4.16	0.18	0.14	0.18	0.91	0.23	0.10	0.15	0.31	0.21	0.18	1.54
- Business Information Service - Russia (BISTA)	0.97		0.97											
- American Business Centers (ABCs)	12.19	1.39	8.95				0.60				0.46	0.26		0.53
- SABIT Business Internship Training Program	12.23	0.01	6.65	0.29	0.16	0.40	0.83	0.37	0.27	0.21	0.49	0.29	0.27	2.01
- Commercial Law Development Program (CLDP)	4.28	0.25	1.76										0.32	1.95
- Business Development Committees (BDCs)	0.95	0.28	0.60				0.04					0.01		0.03
- Consortia of American Businesses in the NIS (CABNIS)	4.50		4.50											
TOTAL DEPARTMENT OF COMMERCE	43.41	1.93	27.58	0.47	0.29	0.56	2.39	0.59	0.37	0.35	1.26	0.77	0.77	6.05
USIA FREEDOM SUPPORT ACT EXCHANGES	354.83	6.60	194.21	15.40	7.58	9.50	14.01	9.09	4.16	4.32	8.14	11.82	9.04	60.95
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	166.72		88.60	4.30										73.82
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	34.20		30.21				0.64					0.37		2.98
- Chernobyl Initiative														
TOTAL DEPARTMENT OF ENERGY	200.92		118.81	4.30			0.64					0.37		76.80
U.S. DEPT. OF STATE - S/NIS/C - HUMANITARIAN ASSISTANCE														
- Transportation Costs and Grants	257.29		57.76	54.89	11.61	46.95	15.04	8.85	4.92	2.81	6.37	8.05	12.10	27.94
- Cargo Value (DoD excess and privately donated) ⁴	1974.56		582.24	177.66	57.52	269.59	142.31	84.11	29.44	26.73	57.90	128.05	78.99	340.02
TOTAL S/NIS/C HUMANITARIAN ASSISTANCE	2231.85		640.00	232.55	69.13	316.54	157.35	92.96	34.36	29.54	64.27	136.10	91.09	367.96
⁴ The value of these U.S. Department of Defense excess and privately donated commodities is not included in the TOTAL CUMULATIVE EXPENDITURES lines below.														
U.S. DEPARTMENT OF STATE (NOTE: INL cum. exp. are as of 9/30/97)														
- INL / Anti-Crime Training & TA INL 9/30/98 exp. are not yet available)	27.31	3.95	17.02			0.27	0.98	0.52	0.09	0.09	0.34	0.98	0.60	2.48
- INR / Title VIII Research Program	17.91	7.81	7.52	0.14	0.17	0.24	0.34	0.18	0.17	0.20	0.32	0.11	0.08	0.83
- Science Centers	49.91		28.50	3.35		1.52	5.00	0.25			0.24			11.05
TOTAL DEPARTMENT OF STATE	95.13	11.66	53.04	3.49	0.17	2.03	6.32	0.95	0.26	0.29	0.90	1.09	0.68	14.35
U.S. DEPARTMENT OF JUSTICE - Criminal Law Assistance	2.80	0.15	1.31	0.36		0.05					0.04		0.13	0.76
OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)														
- U.S. TRADE & DEVELOPMENT AGENCY (TDA)	56.42	1.05	37.44	0.74		1.36	4.02	0.15		2.52	2.23	1.42	0.11	5.39
PEACE CORPS	50.87		13.34	4.26			6.77	4.35		4.31	4.55		4.19	9.09
ENVIRONMENTAL PROTECTION AGENCY	18.36	0.38	14.80			0.01							0.01	3.16
NSF / CIVILIAN RESEARCH & DEVELOPMENT	0.89	0.50		0.14			0.25							

	TOTAL	NIS-REG	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
U.S. CUSTOMS SERVICE / GEORGIA BORDER SECURITY	1.89					1.89								9.95
U.S. NUCLEAR REGULATORY COMMISSION (NRC)	22.32		11.29	0.70			0.38							
U.S. DEPT. OF AGRICULTURE (USDA)														
- Cochran Fellowship Program	7.90	0.13	2.17	0.46	0.29	0.33	0.68	0.52	0.44	0.41	0.68	0.24	0.56	0.99
- Faculty Exchange Program	1.22		0.49				0.08							0.65
- Collaborative Biotech Research Program	1.58		0.95				0.07							0.56
TOTAL USDA EXCHANGE PROGRAMS	10.70	0.13	3.61	0.46	0.29	0.33	0.83	0.52	0.44	0.41	0.68	0.24	0.56	2.20
U.S. DEPARTMENT OF THE TREASURY														
- G-7 Support Implementation Group	2.29		2.29											
- Technical Advisors	23.23	5.22	6.33	1.86		1.48	1.87	0.99	0.11			1.18	1.82	2.37
TOTAL U.S. DEPT. OF THE TREASURY	25.52	5.22	8.61	1.86		1.48	1.87	0.99	0.11			1.18	1.82	2.37
CONGRESSIONAL RESEARCH SERVICE (CRS)	4.69		1.92											2.77
TOTAL TRANSFERS TO OTHER AGENCIES	1144.13	27.52	543.72	87.07	19.95	62.29	52.51	25.50	10.26	15.01	24.17	24.94	29.42	221.78
TOTAL CUMULATIVE FSA EXPENDITURES AS OF 9/30/98	4816.03	327.13	2129.86	430.99	81.63	200.10	277.13	140.28	49.08	39.11	84.60	46.43	122.55	887.14
NON-FREEDOM SUPPORT ACT FUNDS														
U.S. DEPARTMENT OF DEFENSE (DoD)														
COOPERATIVE THREAT REDUCTION (CTR) PROGRAMS (Nunn-Lugar)														
- Weapons Dismantlement	553.82		235.22				54.10					26.40		238.10
- Chain of Custody	313.04		228.43			0.16	24.97					19.08		40.40
- Demilitarization	303.83	50.73	88.79				29.16					25.52	40.00	69.63
- Other	64.27	38.33	25.94											
TOTAL CTR	1234.96	89.06	578.38			0.16	108.23					71.00	40.00	348.13
- DoD Warsaw Initiative	38.12	38.12												
- DoD/ Military Technical Cooperative Efforts	98.60	98.60												
- DoD Customs Border Security / Counterproliferation	9.00	9.00												
- DoD/FBI Counterproliferation	1.29					0.20	0.40	0.27			0.40		0.02	
TOTAL DEPARTMENT OF DEFENSE	1381.97	234.78	578.38			0.36	108.63	0.27			0.40	71.00	40.02	348.13
U.S. DEPARTMENT OF AGRICULTURE		380.49	578.38				0.56	109.03	0.54		0.80	71.00	40.04	348.13
- Food Assistance	3003.07		1256.98	352.69	49.50	334.84	40.74	211.67	156.15	100.20	4.60	218.20	117.17	160.33
- Cochran Fellowship Program	5.46	0.08	2.44	0.10		0.20	0.72		0.20	0.20	0.14	0.20	0.10	1.08
- Agricultural Extension Programs	2.99		2.99											
- Agricultural Research Services	0.34						0.27	0.07						
TOTAL DEPARTMENT OF AGRICULTURE	3011.85	0.08	1259.42	355.78	49.50	335.04	41.73	211.74	156.35	100.40	4.74	218.40	117.27	161.41
U.S. DEPARTMENT OF ENERGY														
- Nuclear Reactor Safety	69.03		43.29	0.37										25.37
- Materials Protection, Control and Accounting (MPC&A)	262.66		245.96			0.21	13.20				1.50	0.63		1.08
- Initiatives for Proliferation Prevention (formerly Industrial Partnering Prog.)	34.16		27.62				1.12					1.54		3.87
- Export Control Programs (Nuclear)	6.34	0.83	2.44				1.56							1.51
- Uranium Supply Enrichment	1.00		1.00											
- Arms Control Support	4.54		3.80				0.03				0.01	0.20		0.50
- Research & Development - FSU States	13.80		13.80											
- Fissile Materials Disposition	20.30		20.30											
- RERTR / Reduced Enrichment for Research & Test Reactors	1.00		1.00											
TOTAL DEPARTMENT OF ENERGY	412.72	0.83	359.21	0.37		0.21	15.91				1.51	2.37		32.31
NSF / CIVILIAN R & D FOUNDATION	10.80	9.90	0.90											
NSF / COOPERATIVE RESEARCH PROJECTS	10.80	10.80												
U.S. DEPARTMENT OF COMMERCE - CABNIS	1.50		1.14				0.36							
U.S. EXPORT-IMPORT BANK	300.00	300.00												
U.S. TRADE AND DEVELOPMENT AGENCY (TDA)	11.14	0.62	7.46	0.06		0.10	0.51	0.02	0.02	0.12	1.10	0.01	0.09	1.03
U.S. INFORMATION AGENCY (USIA)	222.70	8.55	114.94	7.78	5.55	8.87	12.57	5.51	1.91	2.10	11.95	8.42	5.00	29.56
U.S. DEPARTMENT OF STATE														
- International Military Exchanges and Training (IMET)	16.92		3.84			1.18	1.71	0.93		0.98	1.13	0.90	1.16	5.08
- NADR / Counterproliferation	0.24		0.02	0.06		0.01	0.03	0.02	0.02	0.06	0.02		0.01	0.02
- Nonproliferation/Disarmament Fund	9.76	4.80	0.71	0.71	0.71		0.71	0.71			0.71		0.71	
- Warsaw Initiative	33.25		4.50			6.05	3.75	2.15		0.95	2.55		4.25	9.05
TOTAL DEPARTMENT OF STATE	60.17	4.80	9.07	0.76	0.71	7.24	6.20	3.81	0.02	1.98	4.41	0.90	6.13	14.15
PEACE CORPS	38.69		10.59	3.76			4.58	2.99		2.68	3.94		3.02	7.14
TOTAL CUMULATIVE NON-FSA EXPENDITURES AS OF 9/30/98	5462.34	570.36	2341.11	368.51	55.76	351.82	190.48	224.33	158.29	107.28	28.04	301.11	171.53	593.73
TOTAL CUMULATIVE USG (FSA+NON-FSA) EXPENDITURES AS OF 9/30/98	10278.37	897.49	4470.97	799.50	137.39	551.92	467.61	364.61	207.37	146.39	112.65	347.54	294.07	1480.87

CUMULATIVE U.S. GOVERNMENT COMMERCIAL FINANCING AND INSURANCE AS OF 9/30/98

(millions of dollars, rounded to the nearest \$10,000)

U.S. EXPORT-IMPORT BANK (EXIMBANK)

	TOTAL	NIS	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
- SHORT TERM INSURANCE SHIPMENTS	508.50		17.10				48.20			80.50	138.60			224.10
- LOANS OR GUARANTEES	5344.80		3583.70			16.80	140.00			423.60	849.00			331.70
TOTAL EXIMBANK	5853.30		3600.80			16.80	188.20			504.10	987.60			555.80

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

	TOTAL	NIS	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
- FINANCE PROJECTS	1152.15		1010.70			23.80		87.00			3.00		5.70	21.95
- INSURANCE PROJECTS	3253.79		2518.89	0.62		20.97	74.48	216.50		5.00	278.28		0.23	138.82
- FUNDS SUPPORT	1217.01	1125.00		30.67	30.67	30.67								
TOTAL OPIC	5622.95	1125.00	3529.59	31.29	30.67	75.44	74.48	303.50		5.00	281.28		5.93	160.77

U.S. DEPARTMENT OF AGRICULTURE (USDA)

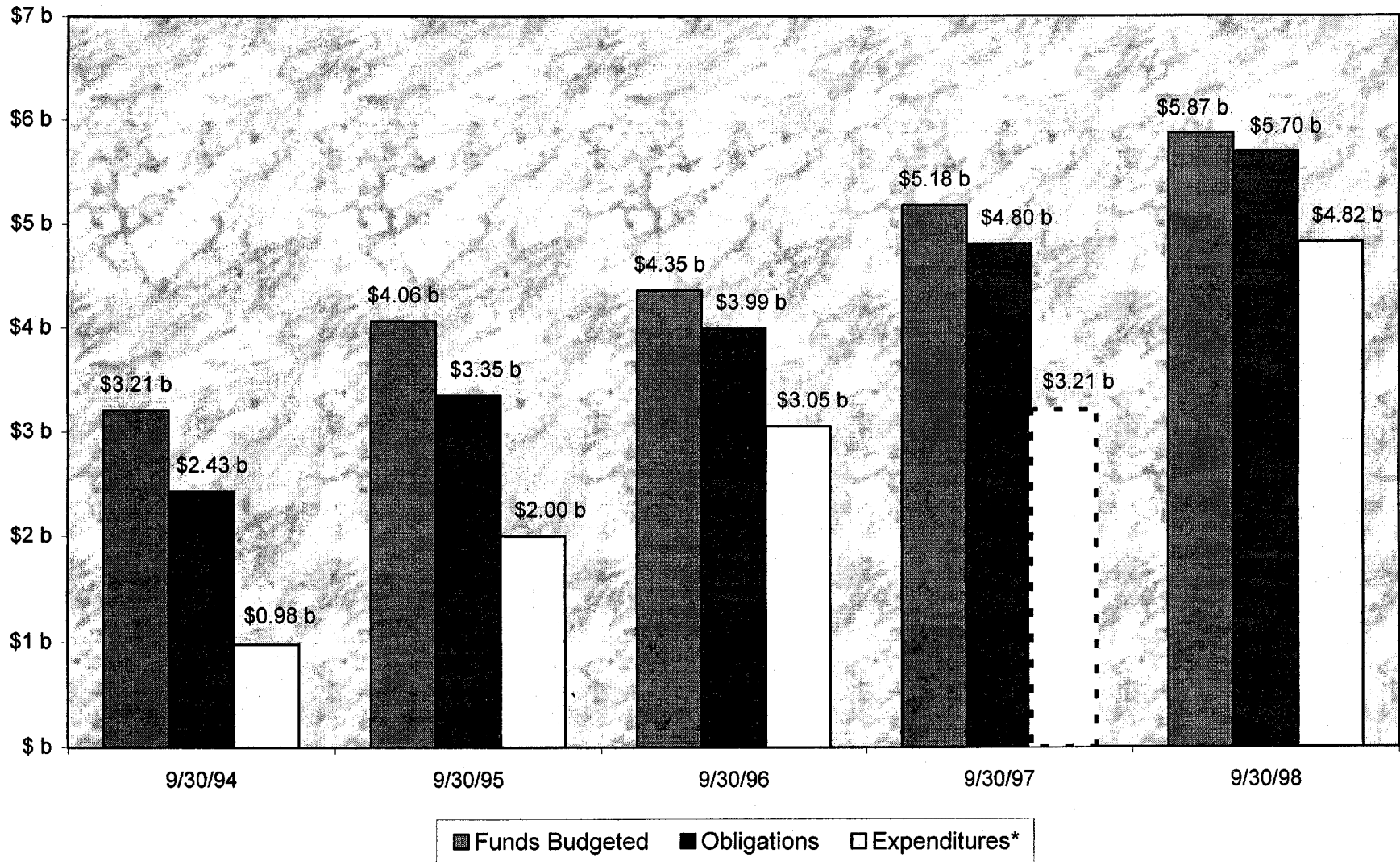
	TOTAL	NIS	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
GSM-102 (FN)														
- FY 1991 SALES REGISTERED	1911.00	1911.00												
- FY 1992 SALES REGISTERED	2585.00	1832.00	644.00											109.00
- FY 1993 SALES REGISTERED	520.00		415.00								15.00			90.00
- FY 1994 SALES REGISTERED	23.80		4.20							4.90	14.70			
- FY 1995 SALES REGISTERED	4.10		4.10											
- FY 1996 SALES REGISTERED	53.90		53.90											
- FY 1997 SALES REGISTERED	125.50		105.40											20.10
- FY 1998 SALES REGISTERED	53.40		49.90				3.50							
- FY 1998 ALLOCATIONS	115.00	10.00	95.00			5.00	5.00							
TOTAL USDA	5276.70	3743.00	1276.50				3.50			4.90	29.70			219.10

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

	TOTAL	NIS	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
- UKRAINE CREDIT FACILITY	143.50													143.50
TOTAL USAID	143.50													143.50

TOTAL CUMULATIVE USG COMMERCIAL	TOTAL	NIS	RUS	ARM	AZR	GEO	KAZ	KGZ	TJK	TKM	UZB	BLR	MLD	UKR
FINANCING AND INSURANCE AS OF 9/30/98	16,896.45	4868.00	8406.89	31.29	30.67	92.24	266.18	303.50		514.00	1298.58		5.93	1079.17

Cumulative FREEDOM Support Act Funds



* NOTE: 9/30/97 cumulative expenditures do not include USAID expenditures.

FREQUENTLY USED ABBREVIATIONS

A&E's	audits and examinations
ABA/CEELI	The American Bar Association's Central and East European Law Initiative
BW	biological weapons
CAAEF	Central Asian - American Enterprise Fund
CTR	Cooperative Threat Reduction Program
CW	chemical weapons
DoD	U.S. Department of Defense
DOE	U.S. Department of Energy
EBRD	European Bank for Reconstruction and Development
ENI	USAID's Bureau for Europe and the NIS
EPA	U.S. Environmental Protection Agency
EU	European Union
Eximbank	U.S. Export-Import Bank
FMF	Foreign Military Financing
FSA	FREEDOM Support Act*
FY	fiscal year
GDP	gross domestic product
GNP	gross national product
IAS	International Accounting Standards
IBRD	International Bank for Reconstruction and Development
ICBM	intercontinental ballistic missile
IDP	internally displaced person
IFIs	international financial institutions
IFC	International Finance Corporation
IMET	International Military Education and Training
IMF	International Monetary Fund
IPR	intellectual property rights
m	million
MoD	Ministry of Defense
MOU	memorandum of understanding
MPC&A	material protection, control and accounting
MT	metric ton
MVD	Ministry of Internal Affairs
NATO	North Atlantic Treaty Organization
NGO	non-governmental organization
NIS	New Independent States of the former Soviet Union
NPP	nuclear power plant
NPT	Nuclear Non-Proliferation Treaty
OPIC	Overseas Private Investment Corporation
OSCE	Organization for Security and Cooperation in Europe
PCV	Peace Corps volunteer
P.L.	Public Law
PSA	production-sharing agreement
PVO	private voluntary organization
RI	Regional Initiative
RFE	Russian Far East
SLBM	submarine-launched ballistic missile
SMEs	small to medium-sized enterprises
SNAE	strategic nuclear arms elimination
S/NIS/C	Office of the Coordinator of U.S. Assistance to the NIS
SOAE	strategic offensive arms elimination
SSBN	ballistic missile submarine
START	Strategic Arms Reduction Treaty
TACIS	The European Union's technical assistance program for the NIS
TDA	U.S. Trade and Development Agency
TUSRIF	The U.S.-Russia Investment Fund
UNHCR	United Nations High Commissioner for Refugees
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USIA (USIS)	U.S. Information Agency (known abroad as the U.S. Information Service)
WFP	United Nations World Food Program
WMD	weapons of mass destruction
WNISEF	Western NIS Enterprise Fund
WTO	World Trade Organization

*Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act